

AA0005890462



UC SOUTHERN REGIONAL LIBRARY FACILITY

BUSINESS ADMINISTRATION



UNIVERSITY OF KENTUCKY
LEXINGTON
KENTUCKY





LIBRARY

THE UNIVERSITY
OF CALIFORNIA
SANTA BARBARA

PRESENTED BY
GEORGE OBERN



Digitized by the Internet Archive
in 2008 with funding from
Microsoft Corporation

BUSINESS ADMINISTRATION

A Library of Business Principles, Practice, and Experience

Editor-in-Chief

WALTER D. MOODY

Former General Manager, Chicago Association of Commerce

Managing Director, Chicago Plan Commission

Author, "Men Who Sell Things"

Managing Editor

WILLIAM BETHKE, M.A.

Department of Business Administration

LaSalle Extension University

LASALLE EXTENSION UNIVERSITY

BUSINESS ADMINISTRATION

Being an organized presentation of the problems of business management prepared by an unusual group of successful and authoritative

Organizers, Educators, and Business Experts

- IRVING R. ALLEN
Sales Counselor, Chicago
- WILLIAM BETHKE, M.A.
*Educational Director
LaSalle Extension University*
- ERNEST LUDLOW BOGART, Ph.D.
*Professor of Economics
University of Illinois*
- THEODORE E. BURTON, LL.D.
Former United States Senator
- HARRY J. CARPENTER
*National Bank of Commerce
New York*
- J. W. COBEY
*Formerly Traffic Manager, National Cash
Register Company*
- E. F. DAHM, B.A.
*LaSalle Extension University
Formerly Assistant Director
Retail Research Association*
- HUGO DIEMER, M.E.
*LaSalle Extension University
Formerly Personnel Superintendent
Winchester Repeating Arms Company*
- COLEMAN DUPONT
*Chairman, Equitable Office Building
Corporation, New York*
- B. C. FORBES
Business and Financial Writer
- LOUIS GUENTHER
Editor, "Financial World"
- ARTHUR B. HALL, A.B.
Hall & Ellis, Real Estate, Chicago
- FRED L. HAM, M.B.A.
*Director, Department of Business
Administration, LaSalle Extension
University*
- F. C. HENDERSCHOTT
New York Edison Company
- SAMUEL D. HIRSCHL, S.B., J.D.
- HARRY ARTHUR HOFF, M.C.S.
*Organization Counsel
Federal Reserve Bank, New York*
- B. OLNEY HOUGH
Editor, "American Exporter"
- E. H. KASTOR
*H. W. Kastor & Sons Advertising
Company, Chicago*
- PERCY H. JOHNSTON
*President, Chemical National Bank
New York*
- EDWIN HERBERT LEWIS, Ph.D., LL.D.
Lewis Institute, Chicago
- WALTER D. MOODY
*Late Managing Director,
Chicago Plan Commission*
- HUGO MÜNSTERBERG, Ph.D., LL.D.
- PAUL H. NYSTROM, Ph.D.
*Director, Retail Research Association
New York*
- C. C. PARSONS
*Secretary-Treasurer, Collateral Mortgage
Corporation of New York*
- JOSEPH M. REGAN
Editor, "Bankers' Monthly"
- ALEXANDER H. REVELL
*President, Alexander H. Revell &
Company, Chicago*
- GEORGE E. ROBERTS
*Vice President, National City Bank
New York*
- MAURICE H. ROBINSON, Ph.D.
*Professor of Industry,
University of Illinois*
- STANLEY H. ROSE
*Foreign Sales Manager,
Barber Asphalt Company*
- CHARLES M. SCHWAB
Bethlehem Steel Corporation
- I. LEO SHARFMAN
*Professor of Political Economy
University of Michigan*
- EDWARD M. SKINNER
*General Manager, Wilson Brothers,
Chicago*
- J. F. STROMBECK
*President, Strombeck-Becker Manufacturing
Company, Moline, Illinois*
- THEODORE N. VAIL
*Late President, American Telephone
and Telegraph Company*
- F. E. WEAKLY
*General Office Manager, Halsey, Stuart
& Company*
- R. S. WHITE
*Collection Manager, American Steel and
Wire Company, Chicago*
- H. PARKER WILLIS, Ph.D.
*Professor of Banking
Columbia University*
- JOHN NORTH WILLYS
President, Willys-Overland Company
- RICHARD P. WILSON
Batavia Rubber Company

RETAIL STORE MANAGEMENT

PAUL H. NYSTROM, Ph. D.

United States Rubber Company

Formerly Assistant Professor of Political Economy, University of
Wisconsin, and Associate Professor of Economics,
University of Minnesota

La Salle Extension University

Ch i c a g o

1922

Copyright, 1917
LaSALLE EXTENSION UNIVERSITY

CONTENTS

I. THE DEVELOPMENT OF RETAILING SCIENCE

Number of Retailers.....	1
Capital Invested	2
Prevailing Training	2
Importance to Society.....	3
Requirements for Success	3
Beginnings in Education.....	4
Future Prospects	5
Purpose of this Book.....	6

II. RETAIL STORE LOCATION

Essentials of Good Location.....	8
Analysis of Location.....	8
Buying Power of People.....	9
Customs of the People.....	10
Character of the Local Industries.....	11
Conditions Affecting Location.....	12
Best Retailers Tend to Get Best Locations....	19

III. BUYING A BUSINESS

Fitness for Retailing.....	21
Choosing the Location.....	22
Analysis of the Business to Be Bought.....	23
Purchasing Real Estate v. Retail Business....	24
Purchasing Fixtures and Inventories.....	25
Buying Credits	26
Ownership Tests	27
Buying Goodwill	29
Discounting Illwill	35

IV. STORE ORGANIZATION	
Fitting Organization to Functions.....	38
Purposes of Organization.....	39
Charting Organization	40
Actual Store Organization.....	44
Practical Considerations in Organization.....	46
The General Manager	47
The Merchandise Manager	48
The Advertising Manager	50
The Store Superintendent	51
The Office Manager	52
Miscellaneous Officials	53
Group and Committee Organizations.....	54
V. BUYING	
Characteristics of a Good Retail Buyer.....	56
Education of the Buyer.....	58
Factors Affecting What to Buy.....	60
Studies in Local Demands.....	61
Policy with Reference to Novelties.....	62
How People Spread Their Purchasing Power..	64
How to Buy	68
Speculative Buying	68
Buying Lines	70
Buying Job Lots.....	71
System in Buying.....	72
VI. THE STORE ACCOUNTING SYSTEM	
The Purpose	74
Kinds of Accounts to Be Kept.....	75
Departmentalization and Its Limits.....	76
Departmental Distribution of Expense.....	77
Classification of Expenses.....	78
The Balance Sheet.....	83
VII. THE INVENTORY	
Methods of Taking Inventory.....	86

Information to Be Gathered.....	87
How to Figure Cost of Merchandise.....	91
Perpetual Inventory	92
The Individual Stock Record.....	93
Perpetual Inventory by Statistics.....	97
Merchandise Control by Statistics.....	100

VIII. BUYING SYSTEM

Buyer's Reports	102
Handling Purchase Orders.....	105
Purchase Records	106

IX. SALES SYSTEM

The Sales Slip.....	109
The Various Kinds of Transactions.....	113
Inspection	113
The Cashier System.....	114
Auditing System	114
Credit Sales System.....	116

X. EFFICIENCY IN THE RECEIVING DEPARTMENT

How to Open Cases.....	120
How to Check Merchandise.....	121
Inspection and Testing.....	121

XI. PRICING THE GOODS

The General Rule to Be Followed.....	127
Factors Affecting Pricing.....	128

XII. RETAIL STORE POLICIES

Value of Store Policies.....	138
Kinds of Policies.....	139
Pricing Policies	140
Pricing at Different Levels.....	141
Policies as to Store Services.....	142
Approval Sales	142
Cash or Credit Policies.....	143
Handling of Complaints.....	144

XIII. ART OF FINDING GOOD EMPLOYEES

The Science of Employment.....	147
The Superintendent of Employees.....	148
Analysis of Positions to Be Filled.....	148
Analysis of Qualifications Required.....	149
Sources of Applicants.....	153
The Employment System.....	156
The Application Blank.....	157
Physical Examination	160

XIV. THE REMUNERATION OF SALESPeOPLE

The Percentage of Sales Paid to Salespeople..	164
Working Out a Just System.....	164
Time Rate	167
Commissions	167
Combination of Time Rates and Commission..	168
Quota and Bonus System.....	169
How to Use the Quota and Bonus Plan.....	169
Helping Salespeople to Understand the Quota and Bonus System.....	171
Miscellaneous Forms of Remuneration.....	172
Profit-Sharing Plans	173
Purposes of Profit Sharing.....	175

XV. EDUCATION FOR SALESPeOPLE

Apprenticeships in the Past.....	178
Personal Instruction	180
Technical Class Instruction in Retailing.....	182
Subjects to Be Taught Salespeople.....	183
Knowledge of the Goods.....	184
Knowledge of Human Nature and Salesman- ship	185
Steps in the Sale.....	186
Coöperation between Stores and Public Schools	189
Education the Schools Can Best Give.....	190
Education the Stores Can Best Handle.....	191
Store Studies	192

Educational Trips	194
The Use of Bulletin Boards.....	195
The Use of House Organs.....	196
Blunder Slips	198
Efficiency Records	199
Departmental Conferences	200
Rating Salespeople	201

XVI. WELFARE WORK

Purpose of Welfare Work.....	204
Suitable Working Conditions.....	206
Store Lighting	207
Store Ventilation	208
Store Heating	210
Store Cleanliness	212
Drinking Water	212
Dressing Rooms, Toilets, etc.....	214
Lunch Rooms	215
Rest Rooms	216
Seats for Salespeople.....	216
Padded Floors	217
Prevention of Injuries.....	217
Fire Prevention	218
Miscellaneous Welfare Activities.....	220
Economic Welfare Work.....	220
Personal Relationship to Employees.....	222
Health or Hygienic Work.....	223
The Physical Examination.....	223
Medical Services	225
Hospital and Nurses.....	225
Welfare Work and the Happiness of Em- ployees	225
By-Laws of the ————— Mutual Benefit Association	227

XVII. DEMOCRACY IN THE STORE

Employees' Share in Government of Store....	232
Suggestions from Employees.....	232

The Employee's Right of Appeal.....	233
Security of Employment.....	234
Right to Help Determine Working Conditions.....	235
Right to Help Determine Wage.....	235
The Need for Boards of Arbitration or of Reference	235
Final Objects of Store Democracy.....	236

RETAIL STORE MANAGEMENT

CHAPTER I

THE DEVELOPMENT OF RETAILING SCIENCE

NUMBER OF RETAILERS

According to the census of 1910, there were in the United States 1,195,029 retail dealers. In addition to this great number of people engaged in conducting stores of one kind or another, there were enumerated 921,130 sales-people and 387,183 clerks in stores. But to get an idea of the total number of people employed in the retail business in this country there should be added to the above the number of deliverymen, laborers, stockroom workers, porters, janitors, cleaners, engineers, carpenters, display men, advertising men, floor managers, book-keepers, and so on. It is safe to say that there are now more than 3,000,000 people employed in the retail trade.

Not an insignificant number! In a comparison of the retail group with other industrial groups of workers, it will be found that farmers and farm laborers are the only classes that exceed retailers and retail employees. No single line of manufacture approaches this total. The number of people employed in the transportation of goods also falls short of this number. Yet these facts seem hardly to have been realized by anyone.

CAPITAL INVESTED

There are no figures available which show the capital invested in the retail business—buildings, land, and merchandise. It seems safe to say that the total sales average \$10,000 per store for these million dealers, or more than \$10,000,000,000 annually. Estimating a turn-over of two and one-half times, one would arrive at an average stock value of \$4,000,000,000. It is believed that this amount is a conservative estimate of the value of the goods constantly on dealers' shelves.

But whatever the amount may be, it must be clear that retailing is of tremendous importance in our business life. It is work that must be done. A great number of people and a great deal of capital are required to do it.

PREVAILING TRAINING

Like every other important occupation, retailing requires both skill and knowledge for its success. But unlike many other occupations nothing has as yet been done on a large scale to provide those who enter this work with a suitable training. Agricultural schools train for farming; trade schools for the various mechanical trades; the professional schools for the practice of law, medicine, and the ministry; and the engineering schools lay the foundation for the technical mastery of manufacturing production. The distributor of goods, the retailer as well as the wholesaler, can scarcely turn to any educational institution of any grade for specific scientific and constructive help.

Not since the Civil War has there been even an apprenticeship system in this country, although one did exist before and does now exist in the great European countries. The retailers of this country as a class, in so far

as they are American born, are truly self-made. Out of the unorganized struggle for self-existence that has characterized the retail business during the last fifty years, a few great men have emerged and have attained the highest public eminences. Among these are Marshall Field, John Wanamaker, and Benjamin Altman, men who have developed retailing institutions without parallel and who have earned the respect of the commercial world.

IMPORTANCE TO SOCIETY

But the cost of conducting the retail business, both to the individuals who enter it untrained and to society, which must always pay the bill in the long run, is enormous. The wreckage of human energy ineffectively and unscientifically applied is appalling. For over half a century it has been repeatedly stated that "Over 90 per cent of those who enter the retail business fail." It is doubtful whether the failure rate is as high in any other important vocation. This is the price that is being paid by the mass of retailers who enter the business poorly prepared by training for, and in knowledge of, their work.

REQUIREMENTS FOR SUCCESS

The management of a modern retail store is a full-sized job for a well-trained man. It demands a knowledge of finance which, in its elements, at least, corresponds with that demanded of a banker. It demands a knowledge of merchandise that epitomizes the entire processes of production. It requires a knowledge of public demand specifically applicable to a given community, greater than any other person need have. It involves the ability to employ, train, and manage employees together with all that implies, for the problems

of labor are as keen in the retail stores as in any other field. It demands a knowledge of salesmanship and of the means of publicity. It demands knowledge and ability to select and to make the best use of a retail store location, involving such matters as store architecture, window construction, interior arrangement, and many other details. In so far as the manager of a retail business is able to decide and act upon exact knowledge along all these lines, he stands a favorable chance of succeeding.

BEGINNINGS IN EDUCATION

It would be wrong, however, to give the impression that nothing has as yet been done to relieve the need for scientific study of retailing problems. In fact, what appears to be a very widespread and important movement in this direction is beginning to take form. Schools are everywhere considering the possible methods of performing the educational work in this connection. Several have already made experiments along the lines of conducting courses for various classes of retail workers.

Trade papers are pushing the propaganda of specific training for retailing, and the contents of these papers have become more and more valuable from an educational standpoint. To anyone who has read the material printed in trade papers for the last twelve or fifteen years, it is surprising how much more constructive the articles presented now are compared with what they were in the past. The trade paper has made for itself a solid place in the program for more efficient retailing.

The work carried on by local and national grocers' associations has been productive of good results, especially in the way of stimulating thought and creating a solidarity of feeling. Wholesale and jobbers' associa-

tions likewise have not been unmindful of the retailer. The service books and literature of many wholesalers and jobbers contain valuable suggestions, as do many of the pamphlets of store equipment companies.

A number of good books have appeared during the last few years dealing with various phases of retailing, all of which are contributing to the general demand for more and more educational help. The function of business literature in the past has been to create a desire for itself and then to supply the demand. Most writers have felt themselves called upon to tell why their articles should be read; in other words, they have had to sell as well as produce their ideas for the good of the readers. It must be admitted that some writers have been more skillful in the former than in the latter. In the future, it seems likely that less effort will be called for in the selling end, and more on producing the ideas and suggestions that are worth while, for the demand has already overtaken the supply at many points.

FUTURE PROSPECTS

While there has been a beginning in education for retail store work, it can hardly be said to be more than a mere beginning. The main field of work both as to the subject matter that could be taught and as to the number of people who should have the opportunity to study is almost untouched. The progress to come during the next ten years will quite certainly demonstrate this.

The time is ripe, and the demand from retail workers of all grades is steadily growing in favor of special retail trade schools. The pressure for trained people has never been so great as at present in retail store work. Despite the fact that the rank and file of average store workers get comparatively low wages, the remu-

neration for special ability or special knowledge is as great as in any other occupation that could be named, or even greater. It seems that no other occupation offers the opportunity to the practical student who will but learn and apply himself as that found at present in the retail business.

PURPOSE OF THIS BOOK

In response to the demand among retail store workers, managers, and employees who wish to rise in their work, this textbook on store management has been prepared. Here are brought together the essential principles and facts concerning the location, equipment, organization, and management of a store. As a text, this book must deal with retailing in general. It is not an exposition either of big or of small store practice. The *principles* advanced apply equally well in both classes of stores. Illustrations are taken from both classes of institutions, and the reader is urged to draw upon his own experience and observation for others at every step. Every practical thinker will readily see how to make the principles apply to his own store or business.

One of the main objects of this textbook is to help the reader to gain a view of the whole business, in other words, to counteract the narrowing tendencies of routine work within any department. This wider contact with retailing problems will help to fit the reader for progress and advancement. It will assist the store proprietor to manage more wisely on the basis of the best retailing experience. It will assist all business men, bankers, manufacturers, salesmen, credit men, etc., to a better understanding and appreciation of the problems of this great class of fellow business men.

The presentation which follows is not theoretical.

There are theories regarding retailing practice under development at the present time with which every wise retail store worker will want to be familiar. In so far as it has been necessary for purposes of clear explanation, parts of these theories have been included, but the purpose here has been to describe retailing as it is and to show by direction and suggestions how the problems of managing a retail store may be met.

TEST QUESTIONS

1. About how many people are employed in the retail business in the United States? How are these distributed into classes?
2. How much capital is invested in American retail business?
3. What are the opportunities for special training in the retail field?
4. What is the failure rate in retail businesses? How do you account for its high percentage?
5. What are the chief business requirements for successful management of retail stores?
6. What is the general plan of this text?

CHAPTER II

RETAIL STORE LOCATION

ESSENTIALS OF GOOD LOCATION

The most essential element of a good store location is the opportunity it offers to sell goods where people naturally come to trade, either because of convenience or because of habit. The main street of any town is the natural retail trading district of the town because it is the main artery of travel. The distance from the main street to the side streets is so much resistance that must be overcome in order to secure trade on the side streets. The corner is usually better than the middle of a block for the reason that it marks the convergence of two arteries of travel. It is convenient for two streams of people. A good principle to follow is to take the store to the people and not to expect the people to come out of their usual ways to the store.

ANALYSIS OF LOCATION

PASSERS-BY

Other things being equal, the location passed by the greatest number of people is the most valuable for retail store purposes. But other things are not equal. For example, large crowds of working people hurrying to and from factories at times of opening and closing are not likely customers for any class of retail goods, except,

perhaps, cheap lunches, tobacco, and saloon goods. People bent on leisure passing a place are not good customers except for certain classes of goods, such as refreshments that can be consumed on the premises, lunches, fruits, etc. A count of the number of people passing a place, if including many of such classes of people, will not serve in comparing locations.

The number of people who come out to shop and to buy is the real factor of importance in the total that pass a location. In the main parts of the town during most hours of the day it may be taken for granted that many of the passers-by are prospective customers for some classes of retail goods. Thus a count of the number of people who pass a given location, if judiciously made, will offer a guide as to the relative quality of the location.

BUYING POWER OF PEOPLE

Even when it is known how many passers-by are prospective buyers, it is also of importance to determine what their buying power is. This is determined by their incomes. A family with an income of \$600 per year must spend practically all of it for the barest necessities of life. The family with an income of \$1,200 per year will buy not only a fuller line of necessities but also some of the merchandise that might be classed as comforts and luxuries. The higher the family incomes, as a rule, the greater the proportion of the total amount expended for pleasure, for refinement, and for merchandise that ministers to the artistic impulses. The amount of money expended for food increases as the family income increases, but not so fast; thus the relative amount expended for food diminishes as the income increases. A family with an income of only \$600 per

year spends nearly \$400 for food, or two-thirds of the total amount. But the family with an income of \$1,200 per year spends less than \$600, or less than half for food. The percentage expended for clothing seems to be about the same for families of all sizes of incomes below \$2,500 down to \$300 per year. From 12 to 15 per cent goes to wearing apparel. A family with an income of \$600 per year would expend about \$75 per year for clothing and shoes, while the family with an income of \$1,200 would spend \$150 or more for such goods.

It will be seen, therefore, that it makes a good deal of difference to the man who proposes to start a store in a given community whether the people of that community receive high or low incomes. This fact alone will determine the amount of business to be had in the community and the character of the goods that will be demanded. It is obvious that a careful compilation of statistical information on population, occupations, earning power, and consumption might prove exceedingly valuable in determining upon a store location.

CUSTOMS OF THE PEOPLE

The customs of the people in the community make some important differences in the character of trade. Religious principles cause some people to eat no meat on Fridays, others to eat no meat at all, others to eat no meat of certain kinds, as for example, pork. In some communities, dominated by the older ideals of puritanism, but little "finery" is consumed.

Communities differ greatly in the kinds and qualities of foods used, even after all these years of high-pressure national advertising of food manufacturers. In some communities fashionable goods are much more in demand

than in others, and the rate of change of style varies greatly even between communities only a few miles apart. All such factors have to be considered by the one who proposes to establish a store at a certain location.

CHARACTER OF THE LOCAL INDUSTRIES

It is obvious that the character of the industries that keep the people in the community employed is another factor to be considered. If the industries are of a permanent kind with the prospect of growth in the future, it may be advisable to select a location and open a store even if immediate trade prospects are not particularly strong. But if the industries are of a temporary nature, then that fact needs to be considered in locating the business. One might ask how long the industries may continue, what is likely to happen when they shut down, what industries, if any, are likely to take their place, how long it will take to make the transition, and so forth. The location that may be ever so good today and this year may be worthless a year hence after the productive enterprises upon which the community now exists are shut down.

Some industries are intermittent, run full blast at some times, on part time or part force at others, and not at all at still other times. The community where such industries exist is a hard one for the retail distributor under almost any circumstances. Many unthinking people rush into the retail business during the more rushing times, compete keenly for trade, and find themselves stranded when the lean seasons approach. The rush seasons are likely to find the dealer with depleted stocks, while the dull seasons are quite sure to find the dealer with large quantities of unsold goods.

CONDITIONS AFFECTING LOCATION

LOCATION OF RETAIL STREET

The retailer who wishes to study his business will not merely inquire how many and what classes of people pass a certain location. He will want to know why they pass it. This introduces a very interesting bit of practical psychology. Habit rules very largely in making some streets and certain locations most popular. But definite reasons can usually be found for the popularity if one goes back to the time when the habit was only in the process of forming. A great variety of conditions tend to help make a location popular, and only a few of them can be enumerated at this place. These will suggest the line of thought to the reader so that he can study his own location or the location under consideration.

The main retail street in almost every town is the street that most shoppers find it easiest to get to, or at least, at one time found it easiest to trade on. This principle prevails everywhere. Even the little country general merchandise store was built at the crossroads where people could come from four or more directions. In the village and city the retail trade street is the one on which the most people in the community can trade with the least discomfort or inconvenience. It may be the level street, the paved street, the street that is dry, or the street that is most easily traveled.

It is the street that is traversed by street cars in all but the very largest and most crowded cities. It is usually down town rather than up town if the city is built on a slope. It is not necessarily the lowest point in the city, although in the earliest days of nearly every city the lowest point that was dry was also the trading point. In nearly all our American inland towns built on river

banks, the earliest business street was the street facing the river. But as the size of the towns increased, and as the first buildings became less and less adapted to carrying on the trade, the main business section moved up block after block from the river. This movement up and away from the river may be noted in nearly every old river town.

SIDE OF STREET

One side of the street is usually more popular than the other. There may be several causes for this. If the street is not level, the upper side is usually better traveled than the lower. In all parts of this country, except, perhaps, the most northern tier of states, the shady sides of the street during the afternoon are most popular. The largest part of the trade is done during the afternoon, and the shoppers coming and going to the stores seek the shady sides of the street; consequently the stores located on the shady sides draw trade with less effort on their part than the stores on the sunny side. In the most northern part of the country, during the winter months of the year at least, the sunshine is so much welcomed by walkers that they take the sunny sides. In winter and during wet weather the sunny sides usually dry off more quickly than the shady sides, and this helps to make the sunny sides more desirable.

SUNLIGHT AND WINDS

The sunlight is a very important factor to be considered in locating a retail store. Not only do the people seek the protection of the shady side from its direct rays or seek its warmth and brightness according to the latitude, but it affects the displays that the store makes in its windows. It is much more difficult to make a satis-

factory display of most lines of merchandise in sunny windows than in windows in which the light is controlled or shaded. A bright glare from the outside makes a mirror of the window glass if the merchandise and background are dark colored, thus preventing the goods from being seen at all. Very few goods can be displayed for any length of time in the direct light of the sun without damage to color or finish. Shades or awnings are required on the sunny side to protect the merchandise in the windows, but this protection interferes with the ready sight of the goods within. Thus on the shady side of the street the most attractive displays can be made, and these help to draw the crowd to this side of the street. Awnings are a nuisance at the best, interfering not only with the efficiency of the show windows but also with passers-by with parasols and umbrellas.

The prevailing winds affect a location. People naturally avoid corners or sides of streets that are wind swept much of the time, particularly if the wind is cold and raw, or if dust-laden. The side sheltered from the wind is obviously the popular side.

ENVIRONMENT

A street with a sidewalk on one side in good condition, clean, level, pleasant to walk upon, and with an ugly sidewalk on the other side, uneven, unclean, on which pools of water stand after showers, etc., will find most of its traffic on the side having the best walk regardless of other conditions. Sunlight, wind, and the slope of the land operate most fully only when both sides of the street are otherwise quite alike.

People naturally take the side of the street that is most pleasant. If one side has a number of old, empty, tumble-down structures, buildings, billboards, or other

features that are not attractive in themselves, people will take the other side of the street if that appears more attractive. Most people, especially women, avoid smoke, noise, bad odors, etc., and if one side of the street is more pleasant in any of these particulars than the other, it will receive the preference of the passing crowds. Beautiful, clean, new architecture attracts people, and a location near structures of this kind is generally considered good.

People go where the crowds go. The stores that have already located in good places draw ever larger and larger crowds. Consequently places near old, successful stores are to be preferred. The syndicate five and ten cent stores try to get a location when opening up in a new town close to the best department store whenever possible. A large wholesale house that supplies goods for variety stores advises its customers through its service bureau to locate next door if possible to a well-established five and ten cent store or near a good department store.

Some stores go well together in groups. Their competition is not so strong as their assistance to each other. For example, shoe stores, specialty ready-to-wear goods, jewelry, and dry goods complement each other in getting the trade of women. Hardware, house furnishings, and furniture stores go well together. Confectioneries, florists, and ice cream parlors go well together. A location near a successful moving picture theatre is splendid for stores dealing in women's and children's goods and is not bad for stores or shops dealing in men's goods. The moving picture show brings out the people, and when they come out to see the movies, they usually have time to stop and see the displays in nearby windows and to shop in the stores.

Saloons, blacksmith shops, factories, and boarding

houses when near to the stores generally hurt the trade in women's goods. Hospitals and schools as well as jails also are considered bad, and large empty buildings are bad competitors for any kind of store.

INFLUENCE OF HABIT

People get into the habit of going in certain directions, taking certain streets and certain sides of the streets because of repeating an act that at first seems reasonable to them. These habits help certain locations to be sure, but they also hurt all other locations out of the beaten path. The man who would locate his store out of the district where people would habitually come to trade not only must contend with the extra exertion demanded of customers to come to his out-of-the-way place, but also must contend with habit in human nature. Of the two, among most people, habit is perhaps the stronger.

RETAIL RENTALS

A location for a retail store is valuable in proportion as it offers an opportunity to sell goods and to make a profit from the sales. Since profits may be made either by adding large margins to the costs or by turning the stock often on narrower margins, it is the possibility of making large profit sales or many sales that gives a store place a high value. High rent does not necessarily add to the cost of sales, provided the volume of sales increases proportionately.

In a small village where the population is small and the trade possibilities meager, even the best location may not be worth much more for store purposes than for residence or other uses. From this lower limit of, say, \$20 to \$30 per front foot, the values of the best retail locations increase more than a thousand times

this amount in the largest cities. The larger the city and the larger the possibilities of making profits in either of the ways indicated above, the higher the values of the location.

In small towns the improvements, that is the building, are usually worth as much or more than the lot. In the largest cities, on the best sites, the lots are worth more than the buildings. It would not be profitable to expend as much money upon the building as must be expended for the land. On the average, however, the improvements on a site suited for retailing are about equal to the value of the lot. Not only is this an average, but it also makes a fairly safe rule of investment for those wanting to build a retail store on a lot suited for the purpose.

Since it is the possibility of making sales and profits that gives value to a retail location, the value and the income in the form of rent that the location commands bear a close relationship to the earnings of the business conducted thereon. While sales totals do not give any accurate idea of the amount of net profits, still the sales total is generally used as the measure of the rent. The amount of the rent that must be paid for location and building varies for different places and for different businesses but ranges from $\frac{1}{2}$ per cent up to 15 per cent of the sales in successful businesses. The average rental in small towns or villages seems to range from 1 per cent to 2 per cent of the sales. In cities of 25,000 up to 100,000 the average goes up at least 1 per cent; while in cities above 100,000 the average rental for good locations runs from 3 per cent to 5 per cent or even 6 per cent of sales. Specialty stores located in exceptionally good locations, and thus enabled to make large profits per sale, must in most cases pay rentals far above the averages just given. One of the elements of success in such high-priced loca-

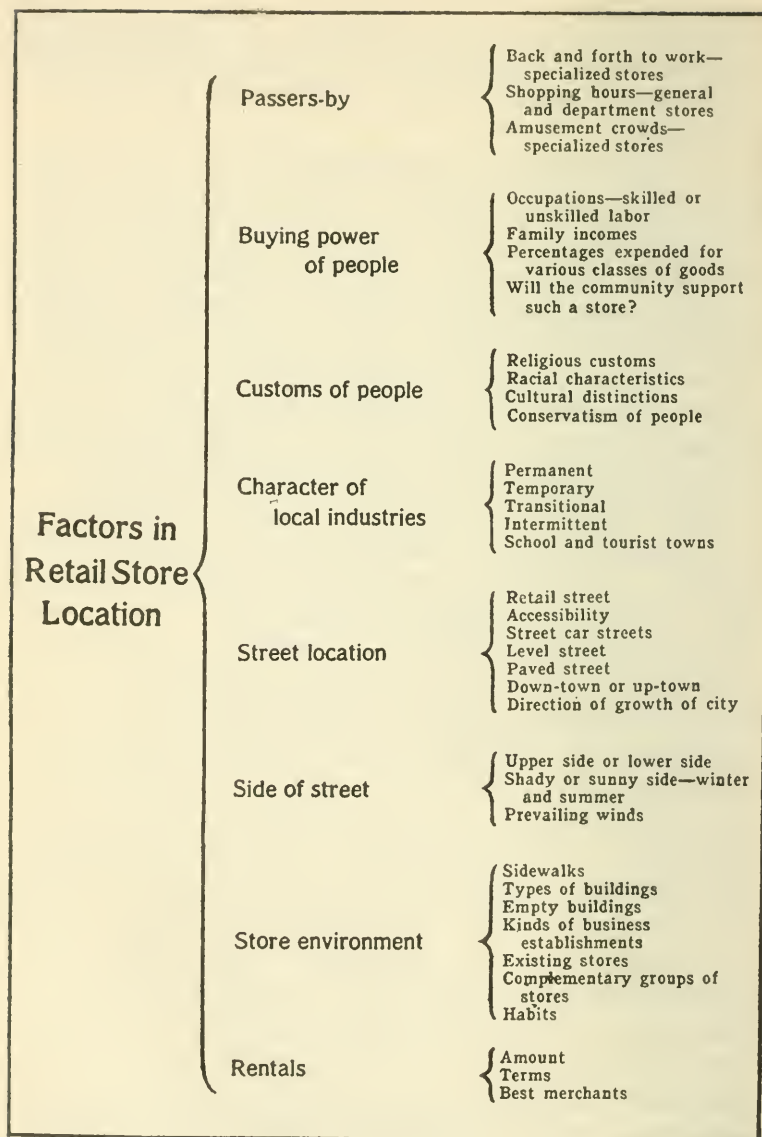


FIG. 1.—Factors in Retail Store Location

tions consists in the ability to drive a good real estate or rental bargain for the site.

BEST RETAILERS TEND TO GET BEST LOCATIONS

A retail store location is simply an opportunity to go to work. A good location is one that can be worked more intensively than a poor one. The better the location the more intensive the means of merchandising that should be employed, in fact, must be employed. Only the shrewdest and brainiest retail store managers can successfully conduct stores in the best locations. In the long run the best locations tend to get into the hands of, and be managed by, the strongest type of retail managers. The competition among managers for such locations is nearly always keen. The ratio of rentals to sales is therefore higher than in poorer locations, and only the most skillful can pay the rents and other expenses incident to such locations and still make a net profit.

A summary of the factors to be considered in retail store location is given in Figure 1. The tests called for are only suggestive, but they may well be used by a merchant or anyone contemplating the buying of a store for determining the efficiency of the location. A given store site will seldom combine the highest advantages in all the points outlined; consequently a sort of average or composite value must be assigned to the place. The sum of these values can never, however, give a correct result unless the parts are first accurately weighed and determined.

The number of failures which result from poor location and too high rents is large. Such a location may permit satisfactory business for a time, but it offers a constant invitation for new competition at the better location, and

when such competition has once begun under able management, it places the store at the poor location at an unequal disadvantage, and, if the difference is great enough, failure is the only outcome.

TEST QUESTIONS

1. Compared with the other factors in successful retail store management, what is the relative importance of location?
2. What facts should be ascertained in regard to passers-by?
3. How can the buying power of the people in a community be analyzed as a guide to store location and management?
4. What are some of the customs of people which must be reckoned with in deciding upon the store and its location?
5. What analysis of the local industries should be made previous to locating in a community?
6. What factors determine the location and shifting of retail streets?
7. What factors often give one side of a street a preference over another?
8. What general principles should be observed in retail store location with regard to rentals?

CHAPTER III

BUYING A BUSINESS

FITNESS FOR RETAILING

It has been a current opinion that "anybody can keep store." That experience, education, and natural fitness are necessary requirements is coming to be seen slowly but surely. Because many, if not most, people still believe in the old maxim, the failure rate among retailers is still far too high. The time may come, even in this country, when the public, in the interest of conservation and in the interest of the general welfare, will place restrictions upon entering into the retail business as is now done for the professions, banking, insurance, transportation, and some other callings.

Space cannot be taken here to go into a discussion of this idea, but it must be said that the time has come for calling attention to the social waste of having a great number of inexperienced, unfit persons enter retailing each year, only to exhaust their own small capital and upset the conditions of trade for their fellow merchants who may have much greater fitness for their work but who must bear the cost of competition with concerns destined to fail. It is the loss to the community of wasted effort and capital as well as the loss to the individuals who try and fail that needs to be understood by every thinking citizen as well as by retailers themselves.

Let us assume that an individual seeking to start a

retail store has the necessary qualifications of experience, education, willingness to work as only managers have to work in the early days of getting their businesses on their feet, and the personal qualities that fit a man for the management of a retail store. Let us also assume that the individual has the necessary amount of capital, an amount that cannot be defined because it must necessarily differ with the kind of business, the size of the community, the class of trade sought, the location selected, and, most of all, with the man, himself. What, then, are some of the considerations that he should bear in mind in acquiring a store?

CHOOSING THE LOCATION

The first thing needed is an analysis of the location as indicated in the last chapter. It is necessary to know whether the store to be bought is in a location frequented by many or most of the people in the community, what brings the people there, and what are the possibilities of gaining their patronage. One must ask the question whether the community will support a store such as that under consideration. In small communities this question may call for an enumeration of the possible customers. In larger communities it may refer to the amount and kind of competition. Many a failure of a retail business can be traced to the fact that there was no need, either active or potential, for the kind of store started; that there was not sufficient demand for the class of goods handled; or that the demand was adequately supplied in a satisfactory way by other stores already in existence.

Presence of competition should, of course, not be considered in itself alone as a sufficient reason for not starting a store. The fundamental questions to be answered in every case are these: Is this store now

under consideration needed by the public? Will it be wanted by the people? If the answers to these questions are given in the affirmative, then the amount of competition need not be considered. If the new store can supply wants not supplied by others, if the new store can supply wants more adequately, more satisfactorily, and more economically than the old stores, then there is excellent reason for its being started, and the chances for its success are good.

When buying a store in any location attention needs to be given to the development of the city, its directions of growth, and its probable future, so far as possible. It may be difficult to judge the probable future of a city, but one can at least note the progress during the immediate past and any possible influences affecting this progress.

ANALYSIS OF THE BUSINESS TO BE BOUGHT

Coming more particularly to the concern itself, the investigation needs to include not only the business as it is but also its past history. A location with a bad past, such as failure after failure, is generally considered a bad purchase at any price. The public seems to be shy of the place with a history of failures. To be sure, a failure may be due to any one of three classes of causes, the wrong management, untoward circumstances making the time unpropitious for starting a business, or unsuitability of location. But if there have been repeated failures, one may presume a strong likelihood that the location is not all that it might be for the kind of store that was attempted. There are even objections to going into business in a location where there has been but one failure if the failure be recent. There is an old maxim that runs somewhat as follows: "It is easier to start a

new business than it is to raise a dead one." Certainly if the failure has been one of long development, there will be considerable work to do before the habits of customers will be changed from staying away to coming to the store. It is easier to cause a new habit where none have existed before than to seek to build by first breaking down old habits.

Much valuable information can usually be gained by making specific inquiry as to why the present owner wants to sell out, what the conditions were that he found difficult to contend with, and so on. For answers to these questions the buyer of the business should consult, not only the person or persons selling, but also other people in the community, such as competitors, bankers, and customers. Such inquiries should also seek to determine what the character of the merchant was as a merchant. The replies will generally reveal the elements of success and of failure in the past business. It is just these things that the new manager needs to know in order to profit by past experience.

The sale of a retail business usually includes not only the real estate, buildings, and so on, or the leasehold for the unexpired term of years, but also the fixtures, a certain amount of merchandise in stock, and in some cases goodwill is figured as an item in the sale.

PURCHASING REAL ESTATE V. RETAIL BUSINESS

In an outright purchase of the real estate the ordinary precautions of buying land need to be observed, as to clear titles, bona fide transfer, accurate descriptions, etc. In the purchase of a lease for its unexpired term, care needs to be exercised to make sure that the terms of the lease are fully understood, the conditions, if any, the provisions for revaluation, and the chances of obtaining

a new lease at the expiration of the one under consideration. In handling either real estate or leases the best plan is to secure the help of a competent attorney to make sure that all documents are properly made out and recorded.

In passing it should be added that buying and owning real estate, even if it be only of store property, is a business entirely apart from retailing and should be kept separate from the store business in the owner's accounts. The retail business should be required to pay a rental of fair market rate for the use of the store building and location; and the upkeep of the building, the taxes, insurance, and other items of expense on the building should be met from the building's income. By keeping the accounts separate the owner may be able to determine after a period of time which part of his double venture is the more profitable; whereas if both were lumped together, he would have to guess at the actual state of affairs.

PURCHASING FIXTURES AND INVENTORIES

The purchaser of a store and its stock should always insist on having a complete inventory of both fixtures and merchandise. In valuing these, the kind, the amount, and the condition should be carefully noted. Valuations should be made upon the basis of present worth rather than original costs. The value of fixtures will depend upon their fitness for the new business.

On inventorying the merchandise stock of an old store, one commonly finds considerable stock that is of little value, goods that are out of fashion, incomplete lines that cannot be completed, because their manufacture has ceased, odd and rarely wanted sizes, tarnished, soiled, and shopworn goods, etc. Some of these goods may, per-

haps, not be sold at any price. Some may be sold only at much less than cost. Other items may have but small value in themselves but may be necessary for the store to have in stock to complete certain lines and, consequently, be worth nearly full value as new. Many conditions affect the values of goods in stock in stores in addition to the usual depreciation with time, and all these need to be understood in making a valuation for purposes of purchase. A novice's ideas of value are not likely to be worth much in this work. The experienced judgment of an expert merchandiser is necessary, and not only those who have had but little experience in merchandising, but also those who have made life studies of retailing, should employ experts to assist in making valuations, if for no other purpose than to check the judgment of the purchaser. This is a case where two or more heads are better than one.

BUYING CREDITS

If the concern to be bought out has been doing a credit business, the purchase may involve taking over the accounts due or receivable. Much care needs to be exercised in estimating the value of this item. At no place is the method of lumping all together without classification more fatal than in valuing the outstanding sums due the concern. In a normal, going business, some of the accounts will be found good in every way, the debtors standing ready to pay their debts at the usual times, or whenever they are due. Others are equally good but need collection service in the form of statements and, in some cases, dunning letters and follow-up. Others will need to be seen personally by a collector before the amounts can be collected. Still others will not pay until forced to do so by legal action. Still others will never pay, and

some cannot pay, no matter what pressure is brought to bear upon them. Long standing accounts are, as a rule, more troublesome to collect than recently incurred debts.

The purchaser of accounts receivable should examine, and upon the best information available, classify them into at least two classes, "good" and "doubtful." Sometimes a third classification into "bad" accounts is necessary. The "good accounts" may be accepted at practically their face value, less interest for the time until they fall due, possible expenses, and a certain amount thought to represent the probable loss by unforeseen accidents among the debtors, and to cover mistaken judgment as to whether the debtors are "good" or not. No rule can be made for discounting the value of "doubtful accounts." "Bad" accounts have no purchase value. The judgment of someone knowing the local conditions intimately should be sought. Credit men of wholesale houses doing much business in the vicinity are, perhaps, better fitted to make safe estimates than anyone else.

OWNERSHIP TESTS

When stock has been taken and its value placed, the next step in the investigation is to determine its ownership, whether fully paid for or not, if bought on the installment plan, or if owned by other parties and merely consigned to the dealer who is selling out. Care should be taken to determine whether there are any outstanding indebtednesses secured by chattel mortgages on the fixtures or stock. Finally, the purchase should be closed by getting a bill of sale in writing, drawn up by an attorney. A formal bill of sale is given in Figure 2. Any other wording which clearly embodies the terms of sale will answer the same purpose. The schedule may be made out on separate sheets and attached to the bill of sale.

BILL OF SALE

KNOW ALL MEN BY THESE PRESENTS, that William Stone, of the city of Chicago, in the county of Cook and state of Illinois, party of the first part, for and in consideration of the sum of One Thousand Dollars, lawful money of the United States of America, to him in hand paid, at or before the ensembling and delivery of these Presents (or specify any other manner of payment), by Richard Lake, party of the second part, the receipt whereof is hereby acknowledged, has granted, bargained, sold, and delivered, and, by these Presents, does grant, bargain, sell, and deliver, unto the said party of the second part, all the following GOODS, CHATTELS, and PROPERTY, to wit: All and singularly the goods and stocks of goods and merchandise now in the store of the party of the first part, at No. Street, in the city of, and all the furniture and movable fixtures in said store belonging to the party of the first part, a schedule of which is annexed hereto.

TO HAVE AND TO HOLD the said goods, chattels, and property unto the said party of the second part, his heirs, executors, administrators, and assigns, to and for his own proper use and behoof, forever.

And the said party of the first part does vouch himself to be the true and lawful owner of the said goods, chattels, and property, and to have in himself full power, good right, and lawful authority, to dispose of the said goods, chattels, and property, in manner, as aforesaid: And he does, for himself, his heirs, executors, and administrators, covenant and agree to and with the said party of the second part, to Warrant and Defend the said goods, chattels, and property to the said party of the second part, his heirs, executors, administrators, and assigns against the lawful claims and demands of all and every person and persons whomsoever.

IN WITNESS WHEREOF, I have hereunto set my hand and seal the fifteenth day of October in the year one thousand nine hundred and sixteen.

Signed, Sealed, and Delivered
in the Presence of

(Signed) WILLIAM STONE [SEAL].

(Signed) SARAH CAMP

Schedule of the goods and stocks of goods and merchandise and the furniture and movable fixtures mentioned in and conveyed by the annexed Bill of Sale:

1.,
2., etc.

Annexed and signed this day of....., 19...

....., Witness

BUYING GOODWILL

THE NATURE OF GOODWILL

Goodwill is frequently offered as a valuable consideration in the sale of a retail business. In so far as it really exists it is one of the best assets of a store. The preliminary investigation of a business needs to include a thorough study to determine what goodwill the business possesses. Goodwill, though intangible, is a very real factor in every successful business, and while this fact is generally understood, it does not seem that many understand just how goodwill arises, of what it consists, and how to evaluate it.

“Goodwill” may be defined as a tendency of a number of people of a community to come to the particular store under consideration rather than go elsewhere. It originates with the satisfaction of the customer with the store’s service, merchandise, or the values it offers. Good treatment, courtesy, and attention accorded to customers by salespeople are powerful builders of goodwill. Public spiritedness of the management contributes largely to the tendency. Continued and repeated satisfaction with the store leads finally to a habit of thought, a belief, or a faith in the store. It is this faith or confidence in the store built on the recollections of satisfactory past experiences with it that constitutes the cause of the tendency.

The satisfactory service contributing to the building-up of goodwill in the customers’ minds may be the result of carefully planned systematic organization and team work within the store; but, as a rule, customers select some particular, tangible factor about the store to which their minds attach their goodwill. In some cases the goodwill inheres in the location; in others it is attached to the

manager or proprietor personally, to the firm name, to the salespeople, or to some particular salesperson, to the brands of goods sold, to any particular type of display or method of selling, and so on.

Goodwill that inheres in the location remains after the business changes hands. Goodwill when associated in the minds of the customers with the proprietor or manager goes with the person. If he leaves the business, it is lost to the business. If a manager of a store who has attracted considerable goodwill to himself should open up another store within trading distance of the old location relinquished or sold, his old customers would carry their trade to him. For this reason, in buying out a store, provisions are usually made in the contract of purchase that the seller shall not again engage in a similar business within a certain number of miles, for a certain period of years. This gives the buyer a chance to gain the goodwill of the same group of customers.

Goodwill attached to the firm name continues with the firm as long as the name is kept; hence the name of a concern or store is frequently kept even after the property has changed hands. Who can say how great the loss would have been in trade and prestige if the store of Marshall Field had been changed in name after the death of its founder? In the same manner, if but in lesser degree, other stores lose trade drawing power when their names are changed, because the name is to many people the tangible thing to which they attach their goodwill.

Goodwill associated in the minds of the customers with some salesperson or with the salespeople of a store is dependent upon the salespeople. If they go, the goodwill goes. Many salespeople are able to build up a large clientele of satisfied customers who look habitually to them for their goods. Such salespeople are worth more

and can command more salary than salespeople who do not have the knack of gaining goodwill.

That salespeople can attract a large part of the goodwill of the customers of the store to themselves is recognized by some stores as an evil, and the attempt is made to get the salespeople to try to attract the goodwill of the customers to the firm or the location rather than to themselves. Salespeople are taught to speak as for the firm instead of for themselves in dealing with their customers; to say, "We can recommend this," instead of "I can recommend this," and so on. The danger in connection with goodwill associated with the salespeople is that the salespeople may leave and become employed by competitors or that they may go into business for themselves, and the courts have held that they have the right to the custom of their former customers. On the other hand, there is a distinct loss in personal salesmanship when the salesman effaces himself in favor of his firm before his customers. Many customers naturally prefer to do their trading with an individual rather than with a firm, and this is evidenced by the fact that small stores can prosper under the shadow of the largest institutions. In the small institution, the personal touch is most important; while in the large place it is the name of the concern, the location, and other factors that absorb most of the goodwill.

Goodwill, in a few cases, extends far beyond the normal trading territory of a store. The name, John Wanamaker, suggests confidence far beyond the limits reached by the store's delivery system. In fact, it is known all over the continent, but the value of the goodwill beyond the trading zone is largely potential. The people who feel confidence in this name would trade at the John Wanamaker store if it were nearer. Hence this goodwill

becomes of cash productive value only when these people move into the trade radius of the store, when they visit Philadelphia or New York, or when they make use of the mail-order department.

Another characteristic of goodwill is that after a period of time and after it has assumed certain proportions, it grows in amount and intensity almost of its own accord. Satisfied customers begin to tell about the store to their friends, to take sides in favor of it in arguments, and to bring friends and acquaintances to see the store that they like. Naturally this develops goodwill in others and still others. It therefore supplements advertising in bringing in new trade to the store, and it is noteworthy that a large well-known store in a middle western city that possesses much goodwill has been able to keep its expense for advertising down to a lower percentage of its sales than any of its competitors having less of this prestige among its customers.

In other stores with large amounts of goodwill, the advertising appropriation is made more effective by the confidence that the customers place in it as a result of their goodwill. Larger amounts may be expended for advertising before the point is reached where additional expenditures do not bring in proportionally greater amounts of business; that is to say, before the point of diminishing returns is reached.

It will be seen that the goodwill of a retail business is measured by the number of people who feel that the given store is a more desirable place to trade for anyone or more of several reasons than any other place. If there is a single person who is well satisfied with the store and who expresses his favor by doing his trading there because he wants to come, the store may be said to possess so much goodwill. The goodwill of only one person would

in most cases be of no marketable value however. But the goodwill of a hundred people possessing considerable purchasing power would be a highly valuable item for any store. Some of the largest stores possess the goodwill of literally thousands of customers, and this is perhaps the greatest asset they have.

Not all customers who trade with a store are goodwill customers. Some may come because they cannot go elsewhere, others because there may be too much inconvenience to procure their merchandise elsewhere. The trade of a customer who must come to the store may be worth while having but does not add anything to the goodwill of the store. Just as soon as the opportunity presents itself to trade elsewhere such customers transfer their entire trade. Illustrations of this fact might be drawn from almost every community where there was at first only one store followed by the addition of another and the consequent loss of many customers at the old store. Instances have been known where people who have been forced to trade at a store have risen in a body and rebelled against buying from it. Many company stores have had difficulties of this kind to contend with. Goodwill can be the result only of free will. In so far as customers would still continue to trade at the store after competition sets in, goodwill can be said to exist. One must carefully discriminate between the *value of a location* as a convenient point of trade and the *goodwill of a location*.

Customers who come to the store only when some special sale or bargains are offered but who do not give their trade regularly to the store can hardly be said to contribute to the store's goodwill. On the other hand, customers who cannot regularly come to the store for all their supplies of the kind offered by the store, but who

come as often as they can and whenever they can, are, definitely, goodwill customers. Nearly every large, successful store and many small stores have considerable goodwill of this kind.

Many, if not most, of the retail concerns offered for sale, with a few exceptions, have but little real goodwill among their assets. The business that has been undergoing a long period of decay has no goodwill of value. The mismanaged business is likely to be without goodwill. The dishonest business is likewise devoid of it. Goodwill is like a delicate plant. It is hard to get it started and requires great care to make it grow. It is easy to harm it or destroy it altogether.

VALUATION OF GOODWILL

The actual valuation of goodwill is an exceedingly complex problem as the foregoing discussion indicates. In the last analysis the amount to be allowed is determined by the bargaining power of buyer and seller. The only practical mathematical formula for the valuation of goodwill is that which capitalizes the net income of the business above the normal rate of interest on the capital invested. Let us assume that the average net capital invested in a store is \$10,000 and that the normal return should be 8 per cent. Let us furthermore assume that the net profits for the year on this business, after allowing for all expenses, including wages, are \$1,000. The normal rate of return at 8 per cent on \$10,000 would be \$800. \$1,000 minus \$800 leaves \$200, which may be considered the income return of the goodwill. This capitalized at 8 per cent makes the goodwill worth \$2,500.

The foregoing calculation determines the valuation of the goodwill of the store on the basis of current earnings. If we introduce the element of expected increase in profits,

the goodwill may be worth even more. A good margin should always be allowed, however, when goodwill is valued on such a mathematical basis. In the last analysis, good judgment based on a thorough understanding of all the merchandising factors involved will prove a safer guide.

DISCOUNTING ILLWILL

There exists also the negative of goodwill. We may, perhaps, term it "illwill." If customers have been misled by the store's advertising, if the merchandise has been unsatisfactory, if there has been short weight or measure, if the service has been unsatisfactory, if the salespeople have been rude, inattentive, or overanxious to sell, then customers are likely to entertain nothing but illwill for the store. Under such circumstances customers will deliberately shun a store and seek, so far as possible, to give their trade to other stores. Illwill is just as real as goodwill, and its effect is to subtract from the value of the business just as goodwill adds to it. The buyer of a store must beware that he is not acquiring illwill along with the location, firm name, and other effects of the concern.

From what has been said it is evident that goodwill embraces the established popularity of a business house which tends to maintain its custom. It represents the value of a business over and above the stock in trade. This plus value has been secured by the expenditure of money for advertising, high-class clerks and good service; by a somewhat continual policy of square dealing, honesty and satisfaction; or by special advantages accruing from such a factor as location.

A summary of the factors to be considered in buying a business is shown in the chart, Figure 3.

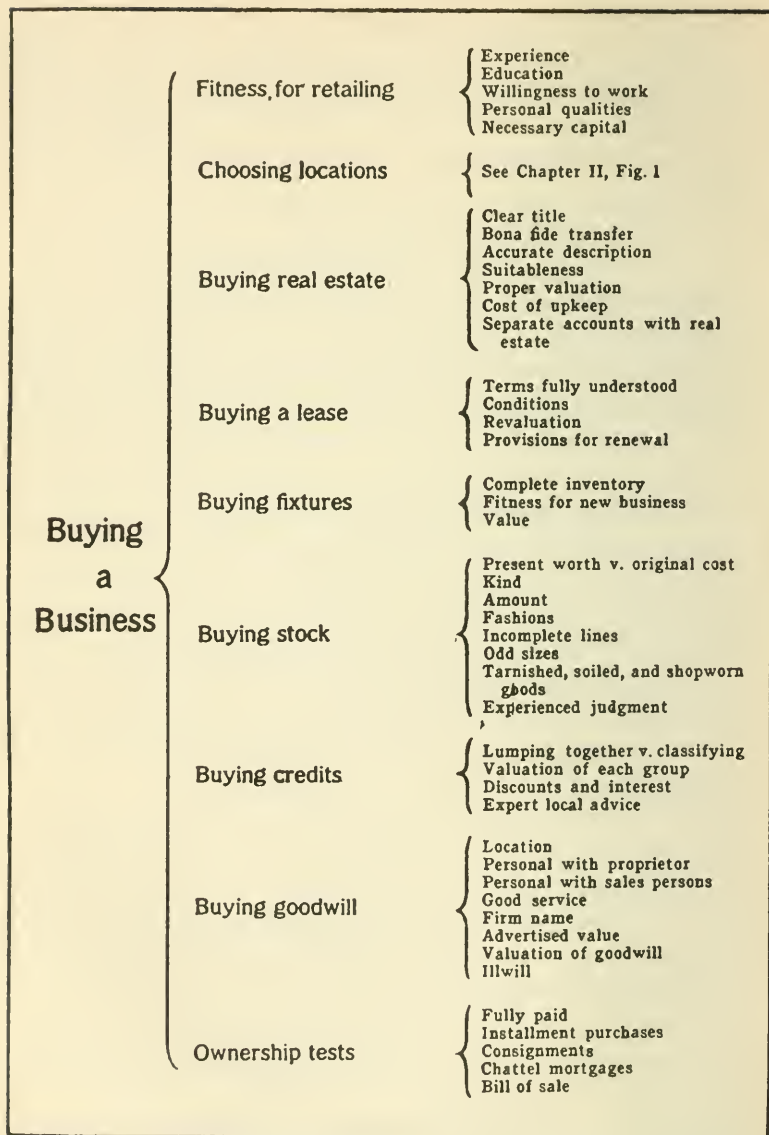


FIG. 3.—Buying a Business

TEST QUESTIONS

1. What three primary qualifications should one possess for the retail business?
2. What factors will justify the establishment of a new store in a community?
3. What preliminary investigations should one make before buying an existing store?
4. How should the real estate be treated in connection with the management of a store?
5. What precautions should be observed in buying inventoried stock?
6. Into what groups should accounts receivable be classified?
7. How may legal ownership of the stock be determined?
8. What are the essential provisions of a bill of sale?
9. What facts enter into goodwill? How is it valued?
10. In what ways may allowances be made for illwill?

CHAPTER IV

STORE ORGANIZATION

FITTING ORGANIZATION TO FUNCTIONS

The functions of a retail store are to buy, to store, to display, and to sell merchandise to ultimate consumers in such lots or amounts as desired and at such times as desired. In consequence of these functions the work of the retail store naturally divides itself into the following lines:

1. Buying, receiving, and stockroom work.
2. Advertising and display.
3. Salesmanship.
4. Care of the building and equipment.
5. Employment, supervision, education, and welfare of employees.
6. Record keeping. These large divisions are in turn subdivided according to the character of the service performed by the store.

Within these main lines of work there occur a multitude of sublines. For example, under care of the building, there is generally found such work as heating the building, ventilating, providing air of the right humidity, repair work, construction of fixtures, running the elevators, caring for the lighting, cleaning, painting, varnishing, decorating, providing and caring for employees' lockers, check rooms, toilets, drinking water, lunch room, etc., and providing protection from fire. If the store

delivers its goods to the homes of the purchasers, a delivery department will, of course, be needed. If the store sells goods on credit, a credits and collections department must be added. If business is obtained through the mails, a mail-order department may be installed, and so on.

In addition to its regular merchandising work, some of the larger stores sometimes add other service departments for the convenience of shoppers, such as parcel checking stations, postal, express, and telephone stations, reading and writing rooms, offices where electric light and gas bills may be paid, theatre tickets bought, taxi cabs ordered, and so on. Banking facilities are in some cases provided for customers, but in view of recent disasters in connection with certain large stores having banking departments, these departments are not so popular as they were two or three years ago.

PURPOSES OF ORGANIZATION

The objects of organization are obvious. Organization is effected in order to get things done, to place definite responsibility, to secure proper performance, to make it possible to place employees at the kinds of work that each is best fitted for, to train employees in specific kinds of work so that expertness may be developed in a minimum of time and at a minimum of expense. It is impossible for anyone to know all that should be known about all departments of work in even a small store. By organization and departmentalization the individuals are given certain fields in which each may reasonably be expected to become both skilled and well versed.

Some organization is absolutely necessary. All stores are organized, although most stores could probably be better organized. While many stores need more organ-

ization, there is also the danger of the other extreme, over-organization. Whenever the organization is of such character as to discourage initiative, the doing of the best work, or of the right spirit, it defeats its own purposes. This can come readily through a too fine division of labor, a too minute definition of responsibilities that do not exactly fit each case as it comes up, and thus leaves the worker with an imperfect guide without the opportunity to make a new definition to suit the needs of the case. Organization of retail store work and of employees must always encourage initiative and independence of thought or it will fail. Customers cannot be handled in all cases by rule. General policies can be outlined, but the application must be made in a thoughtful way by each individual worker whether he be salesman, floor manager, credit manager, or delivery man.

Organization permits of definition of work to a certain extent, of the fixing of standards of performance, the results that may reasonably be expected from each worker, and of the presenting of definite lines of responsibility so that credit can be given for work properly done and blame placed where it should be. It makes it possible to train employees for their work in the most direct way. Organization outlines the steps to be taken in order to secure promotion; hence, tends to encourage employees to do their best.

CHARTING ORGANIZATION

The reader can gain a better idea of the character of retail store organization by a study of the accompanying chart, Figure 4, than in any other way. Note the general divisions of work and the subdivisions under each general division. The chart does not nearly exhaust the

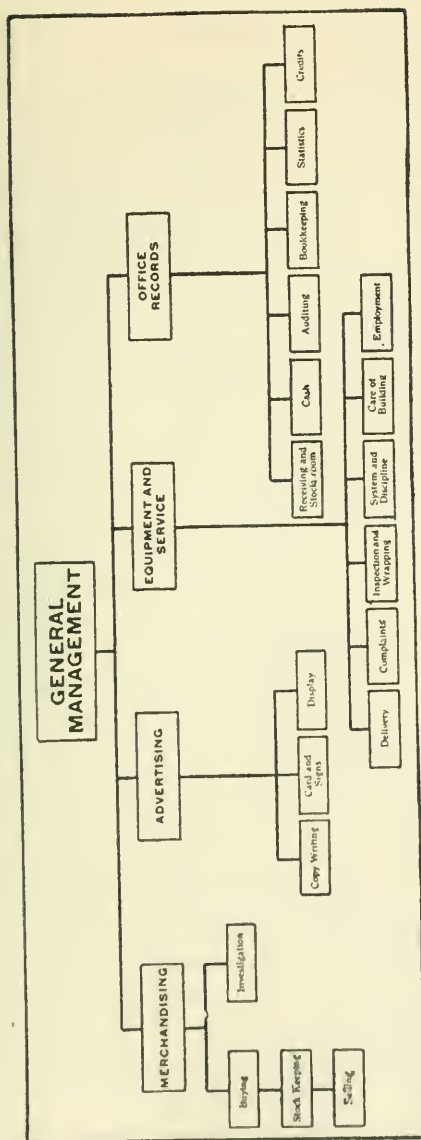


FIG. 4.—Chart Showing Typical Retail Store Organization by Lines of Work

possible activities of a store but is intended merely to suggest the outlines.

Also note that the chart indicates lines of work and not necessarily positions. In large stores there will be such great amounts of work to be done in each line that from one up to many persons may be employed exclusively in one subdivision. There may be hundreds of salespeople each along with several others selling in a special department presided over by a buyer. There may be several men and boys who give their entire attention to delivering goods; others will spend their time in the counting room or accounting department. In fact, the labor of each subdivision may be so finely divided that each individual may perform but a small part of the kind of work that the subdivision is intended to do.

In small stores the organization can not be drawn out in such detail among the people. Generally the manager of the small store is also the buyer and has complete charge of the equipment and service lines of work. Often he prepares the advertising and sometimes does all the accounting work. As manager of these various lines of work, he may apportion duties of great variety to the salespeople. Thus a salesman in a small store may have stockroom duties, may trim windows, help write show cards, and may also be charged with certain duties in the equipment and service department, such as taking care of the lights and awnings, keeping drinking water supplied, etc. Another salesman may also be delivery man, collector, and adjuster. Inspection and wrapping may be done by the salespeople entirely. The main difference between the large and small store organization is, therefore, mainly one of division of labor. In the small store the employee is called upon to do many kinds of work, while in the large store perhaps only one.

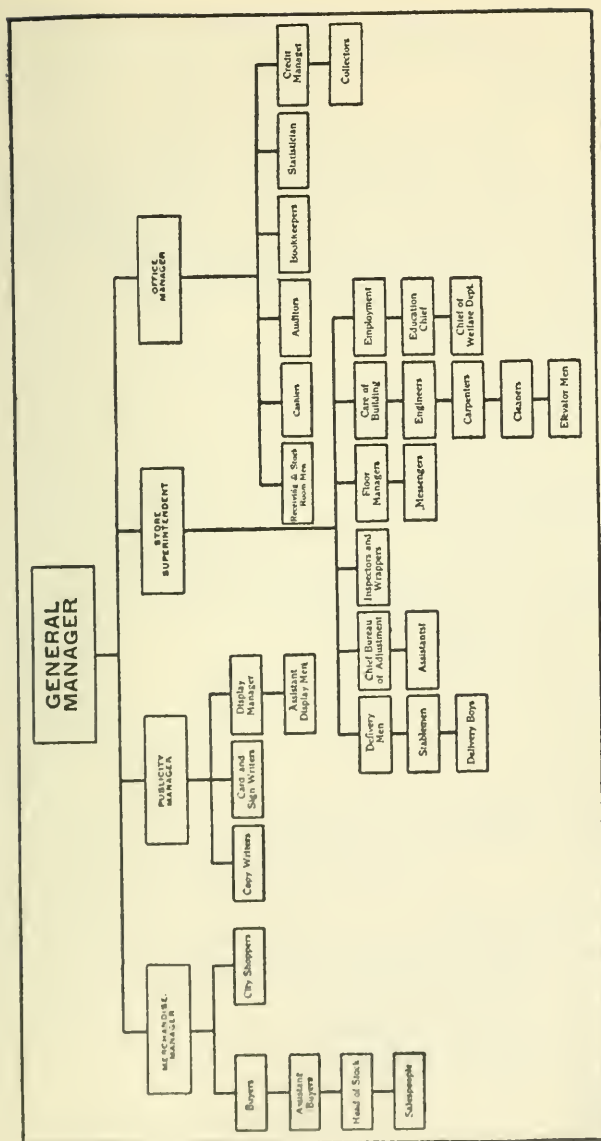


Fig. 5.—Chart Showing Typical Retail Store Organization by Positions

Next, let us see a retail organization chart, Figure 5, worked out for positions along the lines shown in the preceding chart.

ACTUAL STORE ORGANIZATION

The following outline shows the actual store organization and the division of labor among executives in a store employing about one thousand people:

General Manager

- Promotion of business
- Store censorship
- Censorship of correspondence
- Advertising and publicity
- Newspaper contracts
- Show windows
- Interior decorating
- Fixtures and store layout
- Demonstration of merchandise
- Adjustment of claims
- Mail-order supervision
- Stock keeping
- Store signs

Assistant Manager

- Merchandise
- Stock and buying
- Statistics

Superintendent

- Employment bureau
- General and special delivery
- Employees' permits and passes
- Employees' personal packages
- Employees' delivery packages
- Exchanges
- Transfers
- Systems

Pay roll per cent (selling and non-selling)

Integrity of employees

Economy in fixing salaries

Economy in number employed in each department (selling and non-selling)

Character, efficiency, and references of employees engaged

Detective work

School of instruction

Employees' coat, lunch, and rest rooms

Head Floor Manager

Supervision of floor men

Discipline of first floor

Service on floor

Display of merchandise on first floor

Checking umbrellas

Orderly appearance of main aisle and of first floor

Assistant Superintendent

Safety of store and protection of customers

Protection and care of fixtures

Elevators

Machinery

Sidewalks

Warehouse and barn

General economy

Porters

Night-work people and management of same

Outsiders working in store day or night

Suppression of expense and waste

Fire safeguards

Sprinkler and tank equipment

Fire buckets and chemicals

Telephones

Mr. _____

Fire drill

Fire buckets

Shoplifting

Receiving and caring for the wants of institution buyers

Mr. _____

Lights

Mr. _____

Receiving department throughout the house and warehouses

Stockrooms

Purchasing supplies

Chief Cashier

Cashiers

Insurance of all kinds

Deposit purchase department

Auditor

General auditor

Customhouse

Post-Office

Gas

Timekeepers' records

Credit Manager

Credits

C. O. D.'s

Hold tickets

Will calls

Dressmakers' discounts

Wedding trousseau discounts

Signing charges

Office claims

Efficiency and economy of office help

Correspondence Chief

Mail correspondence

Donations and charities

PRACTICAL CONSIDERATIONS IN ORGANIZATION

The organization of most stores is the result of growth following lines of least resistance rather than the result of logical analysis of the needs of the business. Subdivisions are made to suit immediate convenience rather than ultimate good to the business. Employees in some

cases are required to specialize too closely with but little or no hope of promotion; while in others, executives try to do the work of so many departments that no specialization is possible. The better plan would be to distribute the responsible work so far as possible among those doing only routine work, setting the executives free to that extent, and permitting them to use their thought in constructive work. For example, in moderate-sized stores, each of the salespeople after a year or two of experience should have something to think about besides the work of selling. One way of getting employees to grow is by giving them responsible things to do, and store employees will respond as quickly as any class of people to this sort of stimulation. The manager of the store who keeps all executive work and planning to himself is making a big mistake. He not only wears himself out, but he stunts the development of his employees and shuts off the opportunity to profit from what they might contribute to the concern.

THE GENERAL MANAGER

The general manager of the store is the individual directly responsible for its success. In his efforts to increase the profits and place the store upon an ever stronger foundation of goodwill in his community, he must be the organizer of the business. He must be able to imagine the consequences of various courses of action with accuracy; in other words, he must have foresight. He must be a judge of men and must make selections for subordinate executive positions. He must be able to inspire his employees with enthusiasm, to draw out the best efforts of every man. He must be an educator in the fullest sense of the word. In all but the smallest stores he must delegate responsibility and duties. In

doing this, he needs to show his helpers how best to do their work and make way for their development into experts in their respective fields. Finally he must know how to let others do what they can do as well as he can. The shrewdest managers follow the maxim, "to do nothing themselves that they can get others in the store to do."

THE MERCHANDISE MANAGER

The merchandise manager is the chief or head of the buyers of the store. It is his work to prepare the buying budgets for each department, to apportion the finances so as to bring the best returns. Certain limits are therefore set for the buyers beyond which they may not go without special consideration. To assist him in fixing the department appropriations, the merchandise manager makes use of the business statistics of the concern. These records of past achievements include purchases, sales, advertising, expenses, weather conditions, competitive attractions, not only for each of the years in which the business has been in existence, but also by seasons and months, and often by shorter periods. Thus with tables of figures or charts before him, showing just what has been accomplished in the past, what has been successful, what has been a failure, what has proved profitable and what not, and with a knowledge of the conditions of the present, he draws his conclusions as to what each department may do for the following year, season, and month. In conferences with the buyers these figures are considered and revised if thought best. Each buyer is then notified of his buying quota and how it is to be distributed as to time. As a rule no attempt is made to regulate or advise the buyer as to what to buy previous to the buying. Purchases must be approved by the merchandise man-

ager, however, and if the buyer is not successful in getting his goods at satisfactory prices, terms, conditions of delivery, and discounts, the merchandise manager halts the transactions for a consultation.

Special appropriations are sometimes made to departments even after the regular budgets have been fixed. Abrupt changes in style sometimes demand instant purchases even if the buyer has exhausted his department allowance. In other cases the buyer may have made mistakes in his buying and may find himself unable to sell without adding other goods, qualities, sizes, or varieties. Whatever the reason, it may in some cases be profitable to let a department have more money than it was originally planned to give it.

The merchandise manager is or should be the sales manager of the store. He should see that selling conditions in the store are right, that the marking of goods is done properly, that advertising and display are properly attended to, and that the buyers keep in touch with the latest sales ideas as well as with merchandise. Through his position he is able to gather up a great deal of valuable information about merchandise, markets, demand, style tendencies, and other matters of like importance. This information he can convey to the buyers and through them to the salespeople and others who should know it.

Every merchandise department needs the help of a competent city shopper or comparison head. The duties of this official are usually to spend considerable time in competing stores, note qualities and prices of goods offered there, and compare with prices of similar goods in her own store. Complaints that the store's prices are too high are investigated by this official. Buyers' statements made to the advertising man are similarly checked. Disguised as a shopper, often not known even to the sales-

people of her own store, the comparison head does valuable service for her store in its competition with other stores.

THE ADVERTISING MANAGER

The publicity or advertising manager is responsible for the duty of letting the people know about the store and its merchandise. Logically, perhaps, the publicity manager should work under the merchandise manager instead of directly under the general manager of the store. This would be the best arrangement if the merchandise manager were broadly enough trained in all cases to supervise the work of the advertising department. But most stores consider publicity of such importance that they make a special department of it, and the general manager makes it his duty to keep in close touch with it directly. In fact, in some stores of national reputation the general manager is the real head of the advertising department, not only dictating its policies, but also planning its work. In such stores the so-called "advertising manager" is little more than a copy writer.

The publicity department, in planning its work, operates in closest coöperation with the merchandise department. The buyers, as a rule, supply the facts used in the advertising of goods, and suggestions for the development of advertising campaigns come from buyers and the merchandise manager.

The display manager is indicated in the charts shown in this chapter as occupying a position in the publicity department. As a matter of fact, the writer knows of but few important stores where this form of organization exists. Like the advertising manager, he sometimes works directly under the general manager, in others, under the merchandise manager, and in still others under

the store superintendent. The charted form is presented as the logical way. Window and store displays must be correlated with the advertising and are, in fact, important parts of it. Under the same department head there can be no question that the work will be carried on in closest connection. Practically, however, but few advertising managers now found in retail stores have had the training or experience fitting them as supervisors of the work of the display men; consequently the organization of display under a separate department is best under such circumstances.

THE STORE SUPERINTENDENT

The store superintendent is responsible for the physical plant and its operation. Under his direction the store is cleaned, heated, lighted, and properly ventilated. Repairs, renewals, and additions to fixtures are provided by him. Usually store supplies not intended for sale but for use in the store are bought by him or by some official working under him. Elevators, engines, electrical apparatus, safety devices, and fire protection equipment are under his charge.

The superintendent also organizes and conducts the delivery, exchange, and complaint or adjustment departments. The inspecting and wrapping force is usually under his direction. In some cases the stenographers work under his direction.

In most stores the superintendent is also charged with the duty of hiring, training, disciplining, and, when necessary, dismissing employees. Through him the promotions are made, increases in salary granted, and changes from one department to another approved. The firm places upon the superintendent the responsibility for the labor expense, percentage, both selling and nonselling. He must strive for efficiency and economy.

In modern stores his employment department is supplemented by an educational department that trains the new employees for their respective positions and offers courses of instruction to the older employees to supplement their experience and thus make them more valuable to themselves as well as to the store. Education has come to occupy a permanent place in the system of every store. Salespeople, cashiers, inspectors, wrappers, stenographers, and delivery men are all sent to school, at least for a time, in the modern store. How this form of organization may be improved will be taken up in a later chapter.

All phases of welfare work for employees are also a part of the superintendent's sphere in most stores at present. The welfare director, when one is employed, is one of his aids. Physicians, nurses, and other helpers are sometimes added. We shall see something more of the possibilities of this work later on.

THE OFFICE MANAGER

The office manager keeps the records of the concern. These records comprise the purchases, sales, the cash, credits, goods on hand, pay roll, expenses, insurance, and so on. The auditing of the store's transactions is in charge of this department. Commonly, the store's stenographers work under the direction of the office manager, but in other cases, as we have indicated, under the superintendent. The costs of doing business are computed in this department for all parts and departments of the store. Statements are made out daily, weekly, monthly, and at the end of each season and year, showing the condition of the business in various details for the use of the executives.

In addition to the bookkeeping records already referred

to, the office manager's department is responsible for the mailing list of all possible customers in the community, kept in live condition by continual checking, additions, and eliminations. This department is in some stores, though not in all, the repository for the records of the advertising, window displays, sales campaigns, buyers' files of prices, terms, discounts, and lists of concerns from whom the store may buy. In many cases such records are kept in the departments to which they relate.

The office manager must, obviously, be a man of ability as an accountant, one able to handle and interpret statistics of all kinds pertaining to merchandising. He should be a detail man, but not one who lets detail absorb his power to see general tendencies. Knowledge of the whole business is most essential; hence a person can hardly hope to fill this position as outlined without considerable retail experience. If, as is often the case, the office manager is also the credit manager, he must have all the qualifications of a credit manager in addition to those required of a store accountant.

MISCELLANEOUS OFFICIALS

As has already been suggested, the organization of a store may not only differ in considerable detail from the above but may also have other departments, lines of work, and institutional features than those indicated in the chart. For example, nearly every manager of a large store has the help of a legal adviser who may or may not have his entire time taken up by store duties. Some stores employ an official known as an "expense manager," whose duty it is to seek continually for places where the store can eliminate expense or waste. The common observation is that such an official earns his salary many times over in a large store.

Recently, several stores have employed efficiency managers whose duties are somewhat similar to those of the expense manager, but generally broader in scope. The efficiency manager not only seeks to eliminate wastes but also to improve existing methods of doing the work of the store. In some cases the efficiency manager gives most of his attention to the improvement of the record keeping part of the institution, in others to the physical plant, the store, its layout, and its fixtures, and in still others to the employees or the human element. In the last-named case the efficiency manager may take the methods of a teacher. He may first determine the best methods of doing the various kinds of work and then teach or have taught those methods. It seems certain that the efficiency manager has come to stay in larger retail stores. His work will associate him closely with the superintendent, if, indeed, he is not made an official under the superintendent's direction. At present the efficiency manager in at least half a dozen stores known to the writer works under the direction of the general manager and serves as his aid.

GROUP AND COMMITTEE ORGANIZATIONS

Several other elements of organization are found in most retail stores. The employees are not only organized for the purposes of the work in the store but also for recreation and welfare. Thus many stores maintain athletic clubs, musical organizations, dramatic clubs, benefit societies, and so on. The experience of the stores upon this point seems to vary, but a number have found that this form of organization of employees is a most valuable thing for the store, and as such, really is a part of the necessary work of the store.

Then there is the quasi-organization of the store into

conference groups, buyers' meetings, heads of departments' meetings, and general store meetings intended to liven up the spirit of the store and its people. Various adaptations of the committee system so commonly found in industrial concerns may be effectively used in retail stores.

TEST QUESTIONS

1. Into what six functional groups does the work of a retail store naturally divide?
2. What are the main purposes of organization in a store?
3. What are the main principles that should guide effective organization?
4. Enumerate the chief purposes accomplished by charting a store organization.
5. In what main points will the chart of a small store organization differ from that of a large organization?
6. How does a chart indicating lines of work differ from one indicating positions?
7. How do practical considerations modify the ideals of efficient organization?
8. Describe the work of the general manager—the merchandise manager—the advertising manager—the store superintendent—the office manager.
9. What are the more common miscellaneous officials found in store organizations?
10. Indicate the possibilities for efficiency in group and committee systems of organizations.

CHAPTER V

BUYING

CHARACTERISTICS OF A GOOD RETAIL BUYER

It is difficult to characterize the modern retail store buyer. All agree that he must be of clean character, safe, and dependable, but in particulars regarding his work there is considerable difference of opinion. Generally, it may be said, that he must be courteous, methodical, a clear thinker, and somewhat reserved. There are talkative buyers who are successful, but the buyer who says but little, especially to salesmen when they are showing their samples to him, is likely to learn most and get the best bargains.

The average salesman calling upon buyers is a man fairly well trained in character reading. Many of them, if not all, seek the buyer's weak spots, the points of special interest to him, his hobbies, and peculiarities. The talkative buyer is much more likely to reveal these and to place himself at a disadvantage in the bargaining process, while the quiet, reserved buyer keeps the salesman guessing and doing his best to make his goods and his services interesting.

The buyer, whether he owns the store he buys for, or is the employee of a retailing concern, must be a merchant in the fullest sense of the word. As an employee who gives his entire time to this work, his purchases may run from a hundred thousand up to a million dollars per

year. He is the man responsible for the success of the department and, therefore, must be able to get the best not only out of his merchandise buying but also out of his selling and the employees within his department. He must be able to work with his people, to delegate authority, to get coöperation, and to inspire enthusiasm.

He must keep himself from any influence exerted by salesmen and their employers, the factories, and wholesalers, through gratuities, presents, treats, and so on. Time was when the seller was expected, as a matter of course, to entertain the buyer, make a good deal of him, and spend considerable money on him personally. This custom has passed away. The offer of such gratuities is now considered as a form of bribery by many of the best retail houses, and no self-respecting buyer would accept even of the hospitality of the seller unless he could reciprocate by similar returns paid for by himself. Many concerns employing several buyers have made the rule that no such presents or treats shall be accepted, and the suppliers have been so notified.

The evil of the custom of treating the buyer is self-evident. There could be no reason for such expenditures other than the hope that they might help influence the buyer in his purchases. The buyer would hardly expect to accept the favors without showing his favor in return. Thus, both consciously and unconsciously, the buyer would be influenced toward certain goods at certain prices and terms, by something entirely apart from the merchandise. In the long run the business could hardly fail to lose, and, luckily, if only the amount expended by the seller on the buyer. Money expended on buyers must be paid by the buyers indirectly, sometimes with interest. The modern view of eliminating this custom is highly

meritorious and deserves the support of both retailers and their suppliers.

EDUCATION OF THE BUYER

The buyer needs a specialized body of knowledge about the goods he handles, the markets in which he buys or is likely to buy, and about the house for which he is buying.

He needs to know goods as an expert, what they are made of, how they are made, differences in quality and the causes, and their values. His knowledge of goods needs to be both theoretical and practical. For example: He should be able to tell by observation what the quality is of the silk that he is buying, but he should also know the chemistry of silk, of dyes, and of weighting materials used in the silks he handles. He should be able to tell by taste what is the quality of the basket-fired tea that he is offered, but he should also know why basket-firing differs from the other processes of curing tea in producing cup effects.

His knowledge of markets will comprise particulars in great detail of where the goods he handles may be obtained, the ways in which they are handled and sold, the current prices, terms, and discounts, the influences operating on the market, the competition among buyers and sellers, and so on. He should always remember that his primary function is to buy merchandise, not terms.

His knowledge of his own house will comprise such matters as its financial means, its buying experiences in the past in his lines, what is customary, what can be done in case of emergency, the credit of the house, the gross profits wanted, and the expenses of his department. There are several other things more particular in character that the buyer needs to know. For example, he must know, or have records that show, goods on hand,

goods ordered but not yet delivered, relations of the amount of goods on hand to the lateness of the season, sales in the past compared with the present for a period of years, effects of weather conditions on sales plans, successful selling methods, and so on. As the merchandiser of his department he must furnish the advertising man with the sales the latter will use in his advertising and think out new sales methods and plans to be used as occasion demands.

The buyer's education is a most important part of his preparation for his work. Art, literature, and science are valuable general educational accomplishments, and for that reason every buyer should be a reader of a wide variety of substantial literature and a patron of good music, art, and drama to the extent of his time and means. Several well-known buyers in this country possess personal, well-used libraries that would do credit to the homes of professional men among whom we have come to expect such interests. He should frequently visit merchandising centers and expositions to get the latest ideas. Small dealers can watch the big dealers.

In addition to the general value of a good education and broad, intellectual interests, the buyer has need, as already pointed out, for special knowledge concerning the kind of goods he handles, market conditions, and business methods. The buyer's experience is, to be sure, one of the most valuable sources of such knowledge, but *no man's experience is wide enough to make other means of gathering facts unnecessary*. Visits to market, talks with other buyers, and interviews with salesmen should be made to yield profitable facts and points of view. Every buyer who wishes to succeed nowadays must read, not one, but many, if not all, the good trade periodicals in his field. The quality of the trade press is steadily improv-

ing, and the buyer cannot afford to get along without its help.

FACTORS AFFECTING WHAT TO BUY

There is another type of literature that buyers should be interested in. In a town of 30,000 population in the Middle West, the writer found upon inquiry at the post-office that nearly 900 copies of a certain well-known home paper for women were distributed there monthly. Several hundred copies of other women's periodicals also were taken by the women of the town. The influence of these periodicals in an educative way on the minds of the women in this town must be enormous. Consider how the advertising, the style pages, the illustrations, and the stories, all coöperating in the dissemination of ideas about certain standards of living, must build up specific wants among the readers. The buyer who has failed to grasp the importance of the woman's home magazine as a factor in determining what women and their families want has made it difficult for himself to interpret the demands of customers rightly. The buyer of women's goods and the goods that women's judgment is passed upon, and this includes a large part of everything for final consumption, should read what he knows his women customers need. The buyer of farm implements, hardware, and other goods consumed on farms should read the farm papers which are read by his customers. The supplier of goods for any special class of people should follow the periodical literature that goes to that class. What the people read they are likely to think about, and what they think about will influence their wants.

The moving picture shows exert an influence on popular demand that should not be overlooked. The movie fan is growing moustaches like Charlie Chaplin's. The

young women note how the heroine of the play is dressed. Food, utensils, table silver, dishes, flowers, equipment of homes, decorative features, and so on, are observed, perhaps unconsciously, but they are no less effective in changing ideals and ways of living at home. In other words, where once was local diversity in standards of living and in demands for necessities and comforts of life due to the differences between races and nationalities, the moving picture show, the popular press, and several other agencies are standardizing for all. This is an important fact for the buyer, and he can hardly afford to neglect to note what it is that interests his customers and therefore affects their demands for goods. If he will work with these influences, he is almost sure of success.

STUDIES IN LOCAL DEMANDS

In determining what to buy for his store or department the buyer must study his customers. Communities, as a rule, are made up of a great variety of people of all ages, many nationalities, religions, occupations, and interests. But to the shrewd observer these people soon classify themselves into groups, and it is then easy to observe which of these groups are dominant in the community.

For example, every community has both light and dark complexioned people, but if the leading people of town, so far as fashion goes, are light complexioned and blue-eyed, these will set the color standards in clothing, millinery, and dress accessories, within certain limits, for the town. The leaders will be imitated here as everywhere, and the buyer will wisely select merchandise that will be most satisfactory in colors, designs, lines, and materials to the leaders.

Habits of consumption need to be noted. One community is called conservative because it is slow in taking

up novelties, another progressive where the "latest" is always in demand. In the food line, some communities want green tea, others black; some want green, fresh cheese, while others want well-cured; some groups want herring, others mackerel; some want white-shelled eggs, others prefer brown or yellow; some want red apples, others green; and so on. The important question any buyer must answer for his community is which does it want. The buyer owes his success not to attempts to change the demands of people, but rather to quick and clear perception of what is wanted and just how it is wanted. The buyer's function is to find goods just such as his customers want. What he likes himself is immaterial. The buyer must learn to like what he knows his trade will like.

POLICY WITH REFERENCE TO NOVELTIES

While general studies of a community, such as suggested above, will be found very helpful in determining the main lines of demand, the buyer will need other methods to help him to estimate the demand for particular goods. The general studies will be found more helpful in gauging demands for staples than for novelties. What shall a buyer do to determine whether his trade will take the new things not tried out before?

Novelties are a source of profit when they can be moved quickly and turned at once. When well-selected, they offer an opportunity to increase the volume of sales considerably. They possess special advertising possibilities. But novelties are hazardous in that, if they fail to move during their brief season, they are practically a dead loss. Hence, the importance of careful selection is obvious.

A general study of the community and the experience of the store will serve as guides to show whether novelties

go well, as a rule, or not. A progressive trade community may be presumed to be ready for new things at all times, within reasonable limits. In an average community, perhaps one-third of the amount expended for clothing, shoes, house furnishings, and so on, will be for goods that are different from those usually bought in patterns or designs, in colorings, in sizes, or what not. One-third for novelties and specialties and two-thirds for staples is a fair average of ordinary American conditions. In such communities, the buyer will make this fact a rule in his purchases.

Another guide to the demand for novelties is the number of customers who ask for such goods. The buyer needs to have an accurate idea of the extent of such calls, and for that purpose should have all salespeople in the store use "want slips" or a "want book." A record should be made of every call for merchandise which the store, for any reason, cannot supply, and these records should be collected and examined every day by the buyer, and, in a large store, by the merchandise manager. These records not only reveal the demand for unusual goods, novelties, and specialties, but also show whether the store's system of ordering and receiving its regular lines of goods is working properly. If calls are numerous, or even only occasional, for goods that the store should have on hand, the buying system is weak and deserves criticism.

Calls for novelties if repeated once or twice may serve as a guide to making small purchases as tryouts. There is a danger in interpreting calls as demand too freely. A call for merchandise not in stock may sometimes come from a transient visitor in the town, one who may never come to the store again and who may have no influence on the local demand. A call may be for special mer-

chandise that others in the community could not possibly want. Such calls should be handled by taking the customer's orders for the goods wanted if possible. Occasionally competing stores send out their shopper or comparison head on an errand to call for some article to see if it is kept and not intending to buy. Since the business of the store shopper is not known to the salespeople, her call may be interpreted as demand. The problem requires the use of judgment.

The buyer who spends a good share of his time on the floor selling goods, conferring with customers, and who has the coöperation of his salespeople is thereby helped in making his decision as to the demands for novelties. His knowledge of his customers, their methods of trading, how they live, what they read, what their recreations are, and so forth, helps to make his judgment of what they will want sound.

Finally, the buyer may adopt a tryout plan in determining whether to invest in some specialty or not. He may exhibit a sample in the window or in some good location in the store, not for the purpose of selling it, but with the idea of noting the number of calls for it. The calls may be handled by taking orders for the article. If the number is satisfactory, an investment in a supply may be justified. This system of trying out the demand is subject to a great many variations and to a much wider use than given it at present. If handled properly, it will save the buyer and his store a good deal of money every year.

HOW PEOPLE SPREAD THEIR PURCHASING POWER

Another guide to the buying of a community is its earning power. In some states and cities statistics are available showing the population classified by wage and salary.

groups. If such statistics prepared by public bodies are not available, the buyer would do well to make some studies of his own to determine how many wage-earning people there are in the city, how their wages range, and what the average incomes are per family. Communities differ markedly in this, due to the difference in industries. The result is a marked difference in what is bought at the retail stores.

More than fifty years ago a German economist named Engel made some studies of the way the people of Saxony expended their incomes and found that while there was a considerable difference among some families, the majority of them with any given income expended the same amount for the various necessities of life. Similar studies have since been made in other countries, including the United States, with the same results.

It has been found that most families spend the same percentage or proportion of their incomes for clothing, no matter how large or small their incomes may be. The majority of families expend the same proportion for fuel and light and also for rent, no matter what the income.

The percentage expended for food, however, tends to go down as the income goes up, and the percentage for comforts and luxuries goes up as the income goes up.

To illustrate, an average family expends about 14 to 15 per cent of its income on clothing no matter whether its income is \$600 or \$1,200 per year. A thousand families with an income of \$800 per family will spend about \$112,000 for clothing, that is, 14 per cent of their total incomes. But as to food, the family with the \$600 income will spend nearly 50 per cent or \$300 for food, while the family getting \$1,200 will spend about 33 $\frac{1}{3}$ pr. ct. or \$400. It is to be noted that, while the proportion expended by the family with the larger income is less, the amount is

really more in dollars. In the expenditures for the comforts and luxuries, the family with the \$600 income can spend only from 6 to 8 per cent, or \$35 to \$50, while the family with an income of \$1,200 spends 25 per cent, or \$300.

Thus every line is affected by the incomes of its customers. Many lines, in the comfort and luxury group especially, cannot find a market among poorer people at all. Even foods, groceries, meats, and so forth, find much more limited markets among the poor than among the rich.

The buyer can use Engel's law to help him in determining the consuming capacity of his community if he can get the figures that show the earning power of the people living there. The tables in Figures 6 and 7 illustrate the principle in greater detail.

	PER CENT OF TOTAL EXPENDITURES				
	Food	Clothing	Rent	Fuel and Light	Miscellaneous
Under \$200	50.9	8.7	16.9	8.0	15.6
\$ 200 up to \$ 300 ...	47.3	8.7	18.0	7.2	18.8
300 up to 400 ...	48.1	10.0	18.7	7.1	16.1
400 up to 500 ...	46.9	11.4	18.6	6.7	16.5
500 up to 600 ...	46.2	12.0	18.4	6.2	17.2
600 up to 700 ...	43.5	12.9	18.5	5.8	19.4
700 up to 800 ...	41.4	13.5	18.1	5.3	21.6
800 up to 900 ...	41.4	13.6	17.1	5.0	23.0
900 up to 1,000 ...	39.9	14.4	17.6	5.0	23.2
1,000 up to 1,100 ...	38.8	15.1	17.5	4.9	23.7
1,100 up to 1,200 ...	37.7	14.9	16.6	4.7	26.1
1,200 and over	36.5	15.7	17.4	5.0	25.4
Average	43.1	13.0	18.1	5.7	20.1

FIG. 6.—Expenditures of American Families
(Investigated by the United States Bureau of Labor.)

Fresh beef	\$ 50.25
Salt beef	5.26
Fresh hog products.....	14.02
Salt hog products.....	13.89
Vinegar and pickles.....	4.12
Other food	20.40
Other meat	9.78
Poultry	9.49
Fish	8.01
Eggs	16.79
Milk	21.32
Butter	28.76
Cheese	2.62
Lard	9.35
Tea	5.30
Coffee	10.74
Sugar	15.76
Molasses	1.69
Flour and meal.....	16.76
Bread	12.44
Rice	2.05
Potatoes	12.93
Other vegetables	18.85
Fruit	16.52
Rent	99.53
Principal and interest on mortgage.....	12.15
Taxes	5.75
Insurance	20.98
Fuel	32.21
Lighting	8.15
Clothing	107.90
Organization fees	8.90
Religious purposes	7.60
Charity	2.39
Furniture and utensils.....	26.28
Amusements and vacations.....	12.30
Books and newspapers.....	8.38
Intoxicating liquors	12.45
Tobacco	10.91
Sickness and death.....	20.52
Other purposes	45.14
<hr/>	
Total for all purposes.....	\$768.64

FIG. 7.—Analysis of Expenses of an Average American Family
(From the 18th Annual Labor Report of the United States Bureau of Labor.)

How To Buy

Buying scientifically involves taking into careful consideration not only the possible customers, but also the store and its means, and the sources of supply. How much shall be bought at a time must be determined by balancing the advantages of quantity purchases against the added costs in caring for larger supplies of goods. The economies of larger purchases should be compared with the economies of small purchases.

If sources of supply are distant, or if the supply itself is limited and the demand increasing, these facts will constitute important reasons for buying in quantity.

There is a maxim widely quoted "Buy little and buy often" that needs emphasis. Probably most buyers err on the side of buying too much. The offers of quantity prices, of bonuses, fair deals, samples for distribution, extra discounts, forward dating, and so on are held out as baits for the buyer and he frequently bites off more than he can chew.

SPECULATIVE BUYING

It should be remembered that there are several speculative features about most quantity purchases, and when the buyer goes into quantities, he is a speculator rather than a retail store buyer. There is a place for speculation in retail goods without doubt, but the average retail store buyer is hardly well enough equipped to succeed.

Speculative buying requires considerable capital, and the chances for loss are high. The slumps are likely to come at most inconvenient times for retail store men, and, taking it all in all, buying more than the retail store needs from day to day, or week to week, is wrong in principle from a strictly merchandising standpoint. Even when

a retail buyer knows quite definitely what he will need during a coming season, except for the plainest staples, it is best to buy only a part of what is needed, say not to exceed two-thirds of the anticipated season's demand. It is better to have something new coming in all the time, something for the salespeople to be interested in and about which they can tell their customers. Buying in small quantities permits the store to change its policies in case of sudden changes in demand. The funds not tied up in merchandise can be used in buying up exceptional snaps, or novelties that come in after the season's start, or for any unexpected purpose. Cash in the bank can be turned to any use. Cash tied up in merchandise on the shelves must take its chances with the market.

Most large stores as well as great numbers of successful small stores buy all the time. The stock is gone over, and goods sold off are replaced almost upon the day that they are sold. The wholesaler or manufacturer from whom the retailer buys is made the surplus stock carrier. During the last few years, orders for single pairs of shoes, one-sixth dozen of underwear, and similar quantities of other merchandise have become more and more frequent. The speculative element is placed on the supplier, who is usually much better equipped to handle it than the retailer who is busy with a thousand and one other things and cannot be presumed to be a market specialist on all the lines he carries.

It may be said in conclusion of this subject that if the buyer must buy quantities, he should confine the speculative part of it as much as possible to a very limited list of items of which he has made a special study and which he is in position to watch very carefully. "Tips" will of course be given freely—often by "disinterested" salesmen. Self-restraint is essential.

BUYING LINES

One of the essentials of successful buying is to divide the purchases into groups corresponding to the lines in which the buyer wishes the store to specialize. One of such classifications simply divides the merchandise into *staples* and *novelties*. The line of staples needs to be kept fairly complete as to sizes, designs, colors, or whatever its kind may be. Novelties may be confined to those sizes and designs that are most used. For example, in a ready-made dress department, the staples should include a complete run of sizes, if possible; but the novelties should be selected for the sizes from misses 16 to 38 bust. No small store with a limited trade area could hope to do anything with novelties running in sizes up to 46 bust measure or more, 2½a shoes, and so on. The problem in buying staples is to keep a sufficient supply always on hand, not too many, but never short. In novelties, the problem is to sell them out as quickly as possible and procure something different.

Another classification frequently made is based on *price*—low, medium, and high. Each grade should appeal to a definite, particular class of trade, and when the buyer is in the market, he must keep before his mind the demands of each of these classes of trade and try to get both quantity and quality that will fit it.

Still another classification followed by at least one large eastern store dealing in women's wearing apparel includes: (1) best line at the price in the city upon which little profit is earned but which serves as advertising; (2) good but also profitable line; (3) staple line; (4) novelties or specialties; and (5) extra sizes.

For small stores with limited capital it is a safe policy to handle as few lines or brands as possible, specializing

on them as it were, and making the most of each. These lines should be selected with reference to their particular fitness for the community and as profit-getters for the store.

If the store can get the exclusive sale of a line so much the better, but the buyer should look up the things that are somewhat different, so far as possible, from what is offered by mail-order houses and other price-competing institutions. Merit and suitableness if coupled with exclusive sale, go far toward insuring the store a good business even if the profits per sale are not large.

BUYING JOB LOTS

Some care needs to be exercised by every store in buying job lots. There are and always will be at certain times legitimate jobs that must find their way through dealers to the consumers. Manufacturers frequently make mistakes and produce more than there is a demand for at the regular prices. In consequence the undistributed portions have to be forced into the market, and the method used is to offer them at a reduced price. Sometimes manufacturers have quantities of their goods returned to them by dealers for one reason or another. These goods usually have to be jobbed. In other cases the manufacturers produce to fill orders, but do not deliver because of bankruptcy or failure of some of their customers. Such surpluses must be disposed of in some way at the end of each season; there are usually odds and ends that must be cleared out. Finally, the manufacturer sometimes needs cash in a hurry and must sell his products at a price to get money.

All the above mentioned are real factors causing legitimate job lots. But the job-hunting retailer also finds occasionally that some manufacturers lie in wait for

him and sell him "job lots" that were really produced to be sold in this way, and for which the retailer pays all they are worth at standard prices. It seems a safe rule to follow, never to buy a job lot until after examining the goods, certainly not until after the goods are made and the conditions known that caused them to be jobbed.

SYSTEM IN BUYING

In dealing with his suppliers, the buyer should leave nothing to their imaginations, as to time for delivery, shipping directions, back ordering, and so on. Prices, terms, and discounts are, of course, a part of the transaction and need to be definitely understood by both parties. The buyer will do well, even if representing but a small store, to have order blanks of his own, just as the large stores all use, with spaces for all data concerning the purchase, such as name and address of firm from whom purchased, name of the salesman, date, items of merchandise with prices and footings, terms, dating, shipping directions, and any other matter thought essential. These should be filled out in duplicate so that each party to the transaction may have a copy. For purposes of store records it may be worth while to have two extra copies, one for the accounting division and another for the buyer and merchandise man. This, however, is a matter of store system which need not be discussed here.

In his dealings with his suppliers, either when in the market or at his home store, the buyer cannot afford to be anything but courteous to the salesmen. If square with them, the very large majority will be square in return. Every buyer should make it a point to see every salesman's line just for its possible educational value. Not every salesman will present a new idea, but if only

one in five has something to show of value to the buyer, the time spent on the five would be well spent.

The buyer should keep his appointments and promises to the letter, and should expect similar courtesies in return. The buyer who browbeats salesmen who call on him will now and then find salesmen who will be able to get even in unpleasant ways. Attempts to run down salesmen's prices, unless founded on definite knowledge of values, merely as a bluff, is likewise poor policy. Salesmen learn to fix their prices for the buyer who higgles about them every time. After all, both buyer and salesman are human beings, and just straight, human honesty and appreciation are needed to make the work of each lighter and more pleasant. Business is business, but this does not mean that it should be devoid of humor, sympathy, and understanding.

TEST QUESTIONS

1. Why is a good buyer an important factor in the success of the store?
2. Indicate the most essential characteristics of a good buyer.
3. Outline some of the educational and reading requirements of a good buyer.
4. What factors should the buyer consider in determining the local demands for a product?
5. Describe the main factors which should govern the policies of a buyer with reference to novelties.
6. How may a buyer make effective use of Engel's law?
7. What factors enter the question of how to buy?
8. Into what general classes may a buyer divide his lines? What principles should govern the classification?
9. What points should be observed in buying job lots?

CHAPTER VI

THE STORE ACCOUNTING SYSTEM

THE PURPOSE

The purpose of the store's accounting is to present the condition of the business in terms of dollars and cents. A good accounting system should show the store's incomes and outlays in such a way and in such detail as to point out to the managers not only whether the business as a whole is succeeding, but also just which parts are making a profit and which a loss. A good accounting system will disclose the wastes and leaks of the business. It will show the lines along which the future business should be promoted.

To obtain suitable credit either at banks or with wholesalers the retailer is almost invariably asked to present a statement of his business. If the accounting system is such as to make possible a complete, accurate, positive report, that fact in itself is a recommendation for credit rating.

In case of fire or other accident to the business covered by insurance the accounting system, if properly conducted, will serve as valuable evidence in any court at law, and losses may readily be recovered.

There is an old maxim, "Always conduct your business as if you were going to sell out at once." In selling the business the conditions disclosed by a good accounting system may be used to advantage. Assets are un-

covered, and values may be definitely placed. A good accounting system helps in making the sale of the business.

KINDS OF ACCOUNTS TO BE KEPT

The kind of accounting system needed by a store will depend very largely upon its organization, whether a corporation, a partnership, or owned by an individual. It will also depend upon the class or kind of goods handled and the amount of business.

Though a dangerous plan, many small shopkeepers have but little accounting and carry the details of the business in their heads. This works in many cases for long periods of time for small businesses, but would not work at all for a large business. For these reasons nothing but the principles of retail accounting can be outlined here. As a matter of fact, even the smallest retail store without an accounting system is taking dangerous chances. Bankruptcy court proceedings almost invariably indicate bad accounting as a cause of disaster.

A retail concern naturally does business with wholesalers, or with wholesale suppliers on the one hand and with customers on the other. Obligations are incurred by the retailer, to his suppliers, and by customers to the retailer that are met by payments of cash, by credit, or by exchange. As a result the business needs accounts with its suppliers, its customers, its cash, and its merchandise. A number of regular channels of expense occur that will demand separate accounts, such as salaries for clerks, rent, fixtures, upkeep, delivery, etc. Although it is not the purpose of this book to outline the details of an accounting system, still the principle underlying can best be illustrated by listing the more important accounts that a retail business should keep.

LIST OF ACCOUNTS KEPT BY RETAIL STORES

1. Credit customers' accounts
2. Cash account
3. Merchandise account
4. Purchase accounts
5. Expense accounts

These accounts are subclassified in various ways, some of which will be illustrated further on.

DEPARTMENTALIZATION AND ITS LIMITS

In order that the accounting system may show just what part of the business is gaining and what part losing or making no progress, classification and departmentalization is necessary. The merchandise should be departmentalized, and expenses should be classified.

One of the earliest forms of departmentalization seen in the general merchandise stores is the division of the general stock into lines corresponding to those handled by specialty stores—groceries, dry goods, shoes, hardware, etc. While this is a step in the right direction, departmentalization is now carried very much further. Specialty stores themselves, such as grocery stores, shoe stores, and jewelry stores often classify their merchandise stocks into a dozen or fifteen or even more groups. By applying accounting to each of these groups instead of to the whole stock as a unit, the profitable lines are definitely discovered and the unprofitable lines isolated and eliminated.

How far departmentalization should be carried is hard to say. There is a limit beyond which the cost of accounting or record keeping is greater than any possible profits to come from such records. But any line or group of lines whose sales run up into two or three

thousand dollars of sales per year may profitably be considered a department. A business having sales exceeding \$30,000 per year can probably reap benefits much in excess of additional expense by having its goods classified into ten departments. A concern having an annual turnover of \$100,000 can profitably install department accounting for at least twenty departments, if its goods naturally divide into that many classes. In some stores accounting is carried to the logical limit of a department for every line of goods carried. Most merchants balk at such fine subdivision because of the expense and labor incident thereto, but as time goes on it seems likely that more and more complete departmentalization will be demanded by the accounting department.

DEPARTMENTAL DISTRIBUTION OF EXPENSE

If departmentalization is to prevail at all, there must be some well-considered plan for apportioning expenses. An improper distribution may easily make a profitable department show a loss or a losing department show a gain. Such results are dangerously misleading.

One plan frequently used for distributing expense is to charge each department in the same ratio that its sales bear to the total sales of the store. This is not a fair distribution for all expenses. Certain departments cause a larger or smaller proportion of certain classes of expenses than other departments. A rug department, for example, requires an unusually large proportion of space. Some departments must be located on the ground floor. Others require more advertising space, and so on.

These conditions suggest different bases of distribution for various items. This matter requires much analysis at the beginning but is not difficult to operate

when once properly established. The writer may suggest a few bases of distribution:

Rents—based on floor space area and value according to location.

Heat and ventilation—volume of air space and ease of providing.

Light—area or number of lights used and hours burned.

Advertising—amount of space taken by each department.

Delivery costs—number of packages and cost of each.

Interest, taxes, and insurance—average inventory value of stock.

This list is merely suggestive. Expenses which cannot be allocated on a fairer basis may be charged in proportion to sales.

CLASSIFICATION OF EXPENSES

Expense needs to be classified so that one may clearly see where the outlays of the business go and thereby judge where economies may be made. A normal expense classification for most retail stores would include the following items ¹:

EXPENSES OF CONDUCTING A RETAIL STORE

I. Buying expense.

(a) Salaries and wages of the buying force.

Includes that portion of salary of manager or buyer proportionate to time given to buying.

(b) Traveling.

(c) Miscellaneous.

¹ This outline of store expenses is adapted from the Bureau of Business Research, Harvard University.

II. Selling expense.

(a) Salary and wages of the sales force.

Includes that portion of salary of manager or buyer proportionate to time given to selling, directing sales, and toward collections.

(b) Advertising.

1. Newspapers and periodicals.
2. Circulars.
3. Display.
4. Donations.
5. Miscellaneous.

(c) Wrapping and packing.

III. Delivery expense.

(a) Wages of delivery force.

(b) Stable and garage expense.

(c) Payments for express and parcel postage and contracts for delivery service.

IV. Management expense.

(a) Management and office salaries.

Includes that portion of salary of manager or buyer proportionate to time given to managing.

(b) Office supplies.

1. Stationery, printing, and postage.
2. Account books.
3. Miscellaneous.

V. Fixed charges and upkeep.

(a) Rent.

1. Store.
2. Warehouse.

(b) Heat, light, and power.

(c) Insurance on stock and store equipment.

1. Fire.
2. Burglary.
3. Fidelity.
4. Plate glass.
5. Employers' liability.
6. Merchandise en route.

- 7. Water sprinkler damage.
- 8. Life insurance in partnerships.
- (d) Taxes on stock and store equipment.
- (e) Repairs and renewals of store equipment.
- (f) Depreciation of store equipment.
- VI. Miscellaneous expenses.
 - (a) Telephone.
 - (b) Water and ice.
 - (c) Cold storage.
 - (d) Janitor.
 - (e) Miscellaneous sundries.
 - (f) Interest on capital borrowed.
 - (g) Losses from bad debts.
 - (h) Expense of collecting slow accounts.

The tables which follow, Figures 8, 9, and 10, illustrate the cost of doing retail business. Figure 8, showing the tabulated result of the grocery investigation² carried on by the Bureau of Business Research, of Harvard University, is of considerable importance to those engaged in that line of retailing business and lends, as well, concreteness to the meaning of the foregoing expense figures. The percentages in this table are percentages of net sales, and all figures have been adjusted to a uniform basis. For each item listed the figure shows (1) the lowest figure found, (2) the highest figure, and (3) the common figure. A fourth group is given on some items showing the standards attained by the more efficient stores.

Any grocer who keeps his accounts so that he can determine the exact expenditure for salaries, advertising, deliveries, rent, etc., may make valuable comparisons with the items here listed. Whenever his expense ex-

² This summary includes stores which sell groceries only, and also stores which sell both groceries and meats and provisions.

Item [For percentages, net sales = 100%]	Low	High	Common	Standards attained by a group of more efficient stores
	%	%	%	%
Gross profit on merchandise.....	14.6	27.9	21.0	....
Salaries and wages of buying force...	0.1	2.4	0.5	....
Other buying expense.....	0.0	0.5	0.02	....
Total buying expense.....	0.1	2.4	0.5	....
Salaries and wages of sales force.....	3.5	10.6	6.0	5.0
Advertising	0.01	1.8	0.1	....
Wrappings and miscellaneous selling expense	0.03	1.4	0.4	0.3
Total selling expense.....	4.5	10.8	7.0	5.5
Wages of delivery force.....	0.6	3.5	1.5	1.0
Other delivery expense.....	0.3	3.4	1.5	1.0
Total delivery expense.....	1.1	5.0	3.0	2.5
Management and office salaries.....	0.3	2.8	1.5	....
Office supplies and expense.....	0.01	0.4	0.1	....
Total management expense.....	0.4	4.0	1.7	....
Rent	0.3	4.1	1.3	0.8
Heat, light and power.....	0.1	0.8	0.2	0.15
Insurance on stock and store equip- ment	0.03	0.5	0.1	....
Taxes	0.01	0.5	0.1	....
Repairs and renewals of store equip- ment .....	.01	1.4	0.1	....
Depreciation of store equipment.....	.03	0.9	0.2	....
Total fixed charges and upkeep ex- pense	0.8	5.6	2.0	1.5
Telephone	0.04	0.6	0.2	....
Ice and cold storage:				
Groceries only	0.01	0.6	0.1	0.1
Groceries and meats and provisions.	0.03	0.7	0.3	0.2
Other miscellaneous expense.....	0.01	1.2	0.1	....
Total miscellaneous expense.....	0.1	1.4	0.5	0.3
Losses from bad debts.....	0.01	2.2	0.5	0.2
Total of expense statement.....	10.4	25.2	16.5	13.0
Net profits from merchandise opera- tions	3.3 *	11.0	2.5-5.5	....
Interest	0.2	1.7	0.8	....
Number of stock-turns a year:				
Groceries only	3.5	23.8	7.0	12.0
Groceries and meats and provisions.	7.0	26.4	9.0	14.0
Average annual sales per salesperson.	\$5,000	\$20,000	\$10,000	....

*Low.

FIG. 8.—Grocery Investigation
(Compiled by the Bureau of Business Research, Harvard University.)

Item	Lowest Percent- age	Highest Percent- age	Percentage about Which Data Centre (not an average)	Percentage about Which a Concentra- tion is Suf- ficient to In- dicate a Realizable Standard
Gross profit, including dis- counts	20	42	Low grade 23-25 High grade 30-33	
Total operating expense, not including freight and cart- age and interest.....	18	35	Low grade 23 High grade 27	Low grade 20 High grade 25
Buying expense	0.8	1.8	1.1	1.0
Sales force	5.0	10.3	8.0	7.0
Advertising	0.0	8.8	2.0	1.5
Deliveries	0.0	1.4	0.6	0.4
Rent	1.8	14.6	5.0	3.0
Interest	1.0	7.9	2.5	2.0
Stock-turns	1.0	3.6	1.8	2.5
Annual sales of average sales- person	\$5,000	\$16,500	\$10,000	

FIG. 9.—Summary Table of Percentages of Costs of Doing Business in Shoe Stores

(Compiled by the Bureau of Business Research, Harvard University.)

Kind of Business	Number of Stores	Range	Model Group	Number Falling within Mode
Grocery	17	12-22%	14½-17%	11
Dry goods	11	16-25	11-22	6
Furniture	8	22-28	22-24	6
Shoes	8	16-27	21-23	4
Hardware	8	17-26	19-22	4
Men's clothing	7	20-30	27-30	3
Drugs	3	24-30	.....	..
Jewelry	4	25-32	28	2
Department stores	11	22-30	26-27	5
Five and ten cent stores...	2	25-27		

FIG. 10.—Some Figures on the Costs of Retailing Business in Wisconsin

(Collected by the author. From *Economics of Retailing*, Ronald Press Co.)

ceeds the common figure, it might be considered a danger signal.

In expressing expense in percentage form, custom varies as to what should be taken as the base. Some use the cost of the merchandise while others the sales. Either may be used in getting accurate results if adhered to strictly. The great error heard of so frequently nowadays in figuring the percentage of profits is using the cost as the base in figuring mark-on and sales as the base in computing expenses. The result is, of course, not only inaccurate but disastrous.

Certain advantages favor using the sales as the base for all percentage computations. Expense naturally comes out of sales, and but little difficulty is found in computing mark-ons on the basis of sales value. Nearly every large retail organization as well as many noted accountants have gone on record as in favor of computing percentage on sales.

It is assumed here that either method, if followed correctly, will yield accurate results. Because most of the literature on the subject favors computing the percentages on the sales value, this method is followed by the author in this work.

THE BALANCE SHEET

The most fundamental work of the accounting department, and the last to be prepared, is the financial statement, or balance sheet. This report is referred to at this point because all accounting must aim at it in the end. The balance sheet must show what the manager of the business wants to know; hence the accounting system must be built up to provide the information wanted here.

There is as yet no uniform standard method of making out a retail store financial statement, but the following is a very acceptable presentation.

Assets

Cash on hand.
Cash in bank.
Due from customers.
Notes receivable.
Merchandise on hand.
Furniture and fixtures.
Real estate and buildings.
Office supplies on hand.
Advertising supplies on hand.
Unexpired insurance premiums.
Miscellaneous other assets.
Total Assets.

Liabilities

Due to creditors for merchandise.
Due for expense bills.
Notes payable.
Miscellaneous liabilities.
Total Liabilities.

Value of business, excess of assets over liabilities.
Capital at beginning of period (Date).
Profit or loss during period (..... months).

The form of balance sheet presented above is, of course, merely suggestive. For the larger stores more formal statements are presented, embodying the best technique and practices in accounting. A knowledge of the general principles of accounting is highly desirable in this connection.

The management value of a simple, well-adapted, fact-telling, accounting system cannot be gainsaid. The statistical investigations which have been made as to costs in various lines of merchandising give certain approximate standards for purposes of comparison. More intelligent competition on the basis of facts in the retail field is a pressing necessity and can be secured only through accounting methods that do really account.

TEST QUESTIONS

1. What are some of the practical advantages of a good store accounting system?
2. Show how functions determine the classes of accounts to be kept.
3. List the five primary classifications of retail accounts.
4. What principles should govern the departmentalization of accounts?
5. Describe some ways for departmental distribution of expense.
6. Outline an acceptable form for a financial statement of a retail store.

CHAPTER VII

THE INVENTORY

The foundation of good accounting in a store is the inventory. A correct list of all merchandise on hand, properly classified according to kind and length of time in department, with valuations, is one of the absolutely necessary essentials to forming a correct judgment of the condition of the business and the best possible future course of action.

In the past the inventory had no other use than to supply the bookkeeper with the necessary figures on the value of merchandise on hand to enable him to close his books at the end of the fiscal year. Consequently this inventory was taken but once a year, generally about December 31, or in January or even February. February being a quiet month so far as business is concerned has been found a favorable time by many dealers. The need for more careful accounting has brought in the custom of taking a semi-annual inventory in many of the best conducted stores, although the single, annual inventory is all that is taken by most stores.

The traditional inventory has been changed in many ways so as to make it yield the maximum of information. The following will make clear some of its aims and the methods of taking it.

METHODS OF TAKING INVENTORY

In the best stores inventory taking is now planned in advance so well that it actually takes only a couple of

days to complete the process. It is, of course, taken by departments, but goods within departments are carefully arranged according to lines, sizes, and qualities. In some cases, as in hardware stores or hardware departments, even the counting of items is done in advance, and a tag is attached to each compartment, drawer, or box to show the number of articles within, with spaces following for salespeople to indicate the number taken out and sold between the time of counting and of actual inventory.

Inventory sheets are prepared in advance. The loose-leaf system has been found more effective than a bound inventory book. Each sheet is consecutively numbered in advance so that if any sheets are missed later on, that fact will become apparent by mere checking of the pages. Blank spaces are provided at the top of each sheet for the department number or letter, the date of the inventory, and the names of those who used it.

When all is ready, the employees of the store should be divided into teams or pairs. Each buyer should assume charge of his department or in case the buyer is in charge of several departments, the head salesperson should lead in the work and call off the stock on passing from item to item, and an assistant should enter the item on the sheet, repeating the item and its quantity and other information to the one who calls it. Repeating serves to show that the figures are understood correctly.

INFORMATION TO BE GATHERED

In addition to the quantity or number of items, three other classes of information should be noted for each article or class of articles, viz., age of the merchandise or time of purchase, cost price, and selling price. When the goods were bought may be entered by figure or by letter. In modern practice it is customary to show on the price

tag the season in which the goods were added to stock. For example: The letter "A" might be made to indicate this season's goods, "B" last season's, "C" goods purchased last year, and so on. Next season's goods may be marked "F" or some other letter. These letters should be called off and entered on the inventory sheet in a special column. Figure 11 shows a model inventory sheet for this purpose.

Where goods are inventoried at selling price only, as is the case in a few stores, or where goods are inventoried at cost, a special column is sometimes provided for each letter. Thus the values of all this season's goods are placed in the "A" column, goods bought and added to stock last season have their values listed in the "B" column, and so on, as shown in Figure 12. At the close of the inventory it is thus an easy matter to find the amounts of goods on hand from each season. The inventory thus points out in black and white the departments and the lines of goods in which an undue amount of merchandise is staying too long on the shelves and shows that something must be done to clear it out.

It is possible to provide special columns for the letters representing the seasons when both cost and sales values are written down, but a double column—one for costs and one for sales—will be necessary under each letter. Many prefer to list the letters in a special column and judge by inspection the amount of hangovers from past seasons.

The traditional inventory was always taken at cost, or if the selling value was less than cost, the goods were entered at the reduced figure. The modern idea is to list all goods at both figures. The double listing will show not only the value of the merchandise, but also the amount of profit tied up, the proportion of profit, and, from this knowledge, the retailer can judge what he must do to

<div style="display: flex; justify-content: space-between;"> DATE _____ DEPARTMENT _____ SHEET NO. _____ </div> <div style="display: flex; justify-content: space-between; margin-top: 10px;"> CALLED BY _____ ENTERED BY _____ EXTENDED BY _____ </div> <div style="display: flex; justify-content: space-between; margin-top: 10px;"> PRICED BY _____ ADDED BY _____ </div>									
Quantity	How Taken (Unit of Measure)	Season Bought	Description	Cost	How Bought (Unit of Measure)	Extension at Cost	Retail Price	How Sold (Unit of Measure)	Extension at Retail

Fig. 12.—Model Inventory Sheet for Listing Only Cost or Sales Value

increase his business and what he can do in competition. If the per cent of mark-up is too high, this will be revealed at inventory. If the retailer knows what his costs of doing business are, as he should, he can tell from his inventory how low he can safely cut his prices and still be safe.

If a certain line is found to have moved slowly, he can tell whether the price may be cut, or whether the goods should receive some other special attention, such as change of location, more urgent salesmanship, or special advertising. These are some of the valuable features of this sort of inventory.

HOW TO FIGURE COST OF MERCHANDISE

Practice varies on what is to be taken as the cost of merchandise in inventorying. A few merchants take the net cost price of the goods less all discounts whether taken or not. Others take the net price paid, in this case subtracting only such discounts as are taken. Still others take the billed prices and disregard the discounts. Some take any one of these losses and add all expenses incident to laying the goods on the shelves, such as freight, cartage, storage, and so on. Nearly all reduce, or should reduce, the valuations by the amounts suffered in depreciation. One cannot say that any one of these methods is scientifically correct and the rest all wrong. For certain purposes, the billed prices of the goods plus the expenses of bringing to the store seems the best, though any other might be utilized if followed consistently. Many merchants think it best to list all goods at billed prices, deduct the average cash discount received, and then add a percentage representing the average cost of "laying down" the goods in the store.

Certainly transportation on goods inward bound should

be considered as a cost of the goods and so treated when the goods reach the store; then is the time to count expenses of doing business in addition to costs. This fine line is the boundary between costs and expenses in a retail store.

PERPETUAL INVENTORY

The common inventory reveals the exact amount of merchandise on hand at the time it is taken, but as it is taken but once or twice a year in most stores, for months the average merchant has to guess at just what he has on hand and how the various parts of it are moving. Six months is a long time in the retail business. This is enough time for a business to plunge from success to disaster. Many complex situations may arise concerning which the merchant has no definite knowledge.

To remedy the evils of guessing, the perpetual inventory was invented. Its purpose is to show the amount of goods on hand at any time. It has a long and interesting history in the manufacturing industries. Here it has been used with great benefit for many years. It is only recently that retailers have learned about it and how to apply it to their conditions.

The perpetual inventory is the basis of merchandise control. It shows what goods are moving fast and what slowly. It therefore indicates what goods must be pushed, what goods should be reordered, and how much may be reordered. The turnover can be definitely determined while business is going on instead of waiting until the end of the season. By its use the manager can guide his business profitwards while there yet is time. The perpetual inventory is the best possible sort of record to have and to use in insurance adjustments in case of fire, flood, tornado, or burglary.

THE INDIVIDUAL STOCK RECORD

The principle of the perpetual inventory is simple. Goods on hand plus goods bought less goods sold, brought up to date every day or week, shows goods on hand. The application is, however, unfortunately not quite so simple, due to the fact that the average store handles a great variety of goods and the records required to show the above for each item would require too much time. Then there are to be considered returns and exchanges of merchandise, C. O. D.'s, sales on approval, goods to be returned to the manufacturers, etc.

In some lines, such as men's and women's suits, rugs, furniture, and other lines in which each item runs up into considerable money value, it is not only possible but also practicable to keep a record of the stock in such detail as to show just what prices are on hand every day or week.

The record for ladies' suits may be cited as an example. Information such as indicated in the form, Figure 13, would be recorded in the perpetual inventory.

All the items shown on the left-hand side of the stock record card are filled in for each garment as it is added to stock. The information on the right-hand side is written in as the sales are made. Price tags are made out so as to show the registry number as well as the size and price. When a sale is made the price tag is turned in with the sales slip. From the former the proper record is located by the registry number. From the latter the information as to the character of the sale is transcribed to the stock record.

At the close of each day's business a report, Figure 14, is drawn off from the stock record, showing the items enumerated in the report.

At the end of each month a monthly report similar in

items to the daily report is drawn up but showing the profit in percentage of sales as well as in dollars and cents. Many specialty shops check their "stock on hand at end of month" by an actual inventory, at least of some departments or lines.

DAILY REPORT		
	DATE	
	At Cost	At Retail
Stock on hand at beginning of day	_____	_____
Purchases added to stock during day	_____	_____
Returns to stock, exchanges, and approvals	_____	_____
Sales	_____	_____
Goods sent out on approval	_____	_____
Stock on hand at end of day	_____	_____
Profit or loss on day's business	_____	_____
Remarks (Weather, sales conditions, etc.)		

FIG. 14.—Daily Report Recap Stock Record

By sample tests, selecting line at random, or those of which there may be some doubt as to accuracy of the stock figures, the whole report is checked. A complete inventory once every three months or at least at the end of each six months is customary among the best stores.

In lines that run uniformly for considerable periods of time, where fashion changes are not abrupt, the manu-

facturers' stock numbers are used instead of the complete descriptions written out as in the stock record given above. A rug or stove stock record need have only a few columns. A good form is illustrated in Figure 15.

Each rug of a make and size is entered as one (1) and then simply checked (X) when sold. By a glance at the record sheet, the dealer or buyer can tell just how many

RUG STOCK RECORD	
Size <u>9 x 12</u>	Season <u>Fall, 1916</u>
MFG. NO.	STOCK
M 7635	XXXXXXX
B 7640	XXII

FIG. 15.—Rug Stock Record

of each there are in stock and how many have been sold.

Various other stock systems are in use, all effective and more or less economical in the time required to keep them up to the minute. The principle is the same in all of them. Stock on hand, plus purchases, less sales reduced to cost price of goods sold yields the value of the goods still on hand.

In many departments the lines of merchandise handled are so numerous that individual stock records for each

line are probably out of the question. This statement is made with the qualification "probably," for systems are being introduced showing exact status of stock in nearly all classes of stores. The great chain store systems selling cigars, groceries, and drugs have already introduced stock records showing in detail the stock on hand in every line, but outside of such concerns this type of record keeping is not common.

PERPETUAL INVENTORY BY STATISTICS

Department stores have another way of determining the amount of stock on hand. Their method is sometimes called the "*Statistical Method*."

In using this method no attempt is made to check the sales back to costs for each item sold. The total sales are simply reduced to approximate cost value by subtracting a certain percentage computed to be equivalent to the net markup or markon of the goods.

Let us suppose that the average net markup is 30 per cent. If the sales for the day are \$500, the cost value of those goods will equal 100 per cent—30 per cent, or 70 per cent of the sales. $\$500 \times .70 = \350 , cost value of goods sold. By proceeding according to the general principle of the perpetual inventory, goods on hand plus goods added to stock less sales expressed in cost values as above, equals goods on hand at end of day, week, or month, whichever time period is used in making the computation.

The average net markup is found as follows: At the time of taking the regular inventory the goods are listed at both cost and selling values. The difference is a figure that represents the markup at that particular time. For example, if the cost value of the merchandise in a depart-

ment is found to be \$7,000 and the sales value \$10,000, the markup is \$3,000, or 30 per cent of the sales.

As goods are added to stock, the selling prices are added to the invoices, so that for every invoice the accounting department may compute the markup and use it in averaging the markup of the whole.

But goods cannot always be sold at the marked prices; hence there must be markdowns. Occasionally goods appreciate in value while in stock; hence they may be marked up. These deviations from the original marked price when made are fully reported to the merchandise manager, and as a rule, may be made only with his approval. The accounting department notes the changes and the volume of goods affected and subtracts from or adds to, as the case may demand, his merchandise on hand values.

To illustrate the method let us express it in formula.

$$\begin{aligned} &\text{Inventory at sales value as originally found} \\ &\quad + \text{goods purchased at sales value} \\ &\quad + \text{total markup for period on goods in stock} \\ &\quad - \text{total markdowns} \\ &= \text{stock on hand at sales.} \end{aligned}$$

From the original inventory and from invoices marked at both costs and selling, the average per cent of markup can be obtained, also the amount of subsequent markup can be obtained. The amount of subsequent markup will form a certain percentage of the whole that may be added and the amount of markdowns likewise a certain percentage that may be subtracted.

To illustrate: The original markup may be $33\frac{1}{3}$ per cent of sales value. Later markups raise this amount to 34 per cent, but markdowns may follow which total 3 per

cent of the sales value; hence the net markup will be 31 per cent.

To find the cost value of the stock on hand the net sales value is reduced by 31 per cent, taking the percentages given above.

The net stock on hand as shown by the statistical method just described is only approximate. The reason for this is that the percentages used are merely average percentages. The sales for any day or week may be only or largely in goods with low markup or profit margins, or the sales might in other cases be in goods with higher than average margins. In either case using the average percentage in reducing from sales values to cost, values would result in an inaccuracy. In most stores the tendency away from the average is toward business with lower profit margins. In other words, the goods with the low profit margins move more rapidly than those with high margins. The actual markup in such instances is of course less than the average, and to reduce the sales by the average markup results in getting a lower than actual total of costs of goods sold. It will appear from the resultant cost figures that the goods cost less than they actually did. At the end of the season the actual inventory taken then will vary from the perpetual inventory figures obtained as above no matter how carefully computed. To make allowances for such discrepancies some stores regularly subtract a certain percentage, not usually more than $1\frac{1}{2}$ per cent, from the average percentage of markup, to make the final result agree with the season inventories.

Care must be exercised at all places in these computations to use the same base in getting at percentages. Either the cost or the first marked price should be used. Of the two the writer suggests the first marked price, the

selling price as first marked, as the best base. But after having selected the base, no changes should be made, or the results will be entirely wrong.

MERCHANDISE CONTROL BY STATISTICS

Proper merchandise control by means of statistics requires not only a stockkeeping system that will show inventory values at frequent intervals, but also accurate expense statistics, and the past experience of the store, if any, in both of these details. From his knowledge of past sales and expenses of selling for each department the merchandise manager is in a position to budget his sales and expense for each department for the coming season with reasonable accuracy under normal conditions.

Knowing something about what the customers of his store will want in volume of merchandise and knowing the past expense of selling similar volumes, the merchandise manager can determine in advance what percentage of markup is required to cover the costs of doing business plus the desired profit. In this percentage possible markdowns must, of course, be considered. A quota can thus be established for a department for a coming season showing sales required, average percentage of markup, per cent of markdown to be allowed, and net profit desired. These conditions can be placed before the buyer as his goal to work for or to exceed if possible.

The merchandise manager can go still farther in outlining his merchandising plan by showing maximum and minimum limits of stock to be carried to insure the proper turnover, the number of days in which the stock should be sold, and the amount of stock to be on hand at the end of the period.

The merchandise plan is then put on paper for each

department and a copy given to the buyer of each department respectively.

Possible contingencies as well as details of carrying out the plan may be arranged largely in conferences with the buyers, either singly or in groups, but after the details are settled, the buyer may be held, within reasonable limits, to the plan as outlined. It is his business to carry on his buying and selling in such a way as to fit in with the plan.

TEST QUESTIONS

1. What has been the prevailing practice and attitude with regard to the inventory?

2. Indicate the preliminary preparations that should be made for taking inventory.

3. What information should be gathered through an inventory? How may such information be used for determining merchandising policies in the store?

4. How should the cost of merchandise be figured in an inventory?

5. Under what circumstances is a perpetual inventory practicable?

6. Explain a system required to secure a perpetual inventory through individual stock records.

7. Explain the statistical perpetual inventory plan. What are its uses and limitations?

CHAPTER VIII

BUYING SYSTEM

BUYER'S REPORTS

The buyer who is to do his work properly needs to have certain facts about his business. Some of these facts should be provided for him by the management. Others, as we have seen in another chapter, he should dig up for himself.

We have just noted in the preceding chapter that the buyer should be provided with a copy of the merchandising plan for the coming season by the merchandise manager, at least that part of it applying to his department. In the small store where the buyer is also the manager of the store, he can work out his own plan and prepare his own statistics, but in the large store, most of the figures will be provided for the buyer. His own record keeping will be mainly in keeping track of stock, the department perpetual inventory, making notes and records of popular wants, recording names of sources of supply, prices, discounts, terms, etc.

The buyer should have prepared, or should have placed before him, every morning a summary of the business of the day before in his department, the total sales, and the sales of each salesperson classified into cash, credit, C. O. D.'s, approvals, and exchanges, Figure 16. The returns and allowances claimed should likewise be noted.

In parallel columns, the figures for the same day of the preceding year should also be given, if possible, so that the buyer may note not only his progress from day to day but also from year to year. The information outlined above will guide the buyer in directing his sales force and sales plans, and indirectly, his buying.

More directly the buying will be guided by the records showing the department sales in past years, sales of the present season to date, how much of the season remains, the amount of stock on hand, the amount of stock ordered, yet to come, but not received, Figure 17. The buyer must, of course, be guided constantly by the limits placed upon him by the merchandise plan.

HANDLING PURCHASE ORDERS

There should be a definite system of handling the purchase orders to avoid duplications and overbuying, and to save time in looking up, at any time, the amount of goods ordered but not yet arrived.

There should be a written order for all goods purchased. No verbal orders should be permitted in the retail business. Orders by telephone and telegram should be confirmed in writing at once and marked. "Duplicate confirming wire order." Orders should be made out on the store's stationery. No matter how small the store this may be carried out with profit.

A departmentalized store should have a separate order book for every department. Goods for two or more departments should be ordered on blanks from those departments invariably.

The order blanks should be made out, at least in duplicate, better still in triplicate, by means of carbon sheets. The original should be given to the shipper, one copy should be kept by the buyer in the department, and the

third copy should go to the merchandise manager and thence to the office. Every order should be consecutively numbered and should come to the office in the order numbered.

In large stores it is a rule, and a good one, that purchases above a certain amount must be confirmed by the signature of the merchandise manager. It can readily be seen that the purpose of these confirmations might be nullified if orders were not promptly sent in to the office in the order received. In most cases a purchase order out of its consecutive order will not be received at all without explanation.

PURCHASE RECORDS

A record is made of the order in the bookkeeping department showing date placed, number of order and amount, department classification according to time goods are to be delivered, total, and general remarks. After this record is made, the order is filed to await the time when the invoice appears. Cancellations made in the meantime are recorded both on the order duplicate and in the office record described above, generally in red ink.

When the invoice arrives, it is first checked against the duplicate order in the office to catch shortages, partial shipments, or unauthorized shipments. Prices and terms are compared and then the order is permanently filed in the office.

The invoice is sent to the shipping room to be used in checking the incoming goods. Some concerns have the part of the invoice containing the column that shows the quantity of goods ordered clipped off and require that the receiving department must count and list the quantities of all goods received. This prevents the receiving clerks from being careless in checking the quantity as

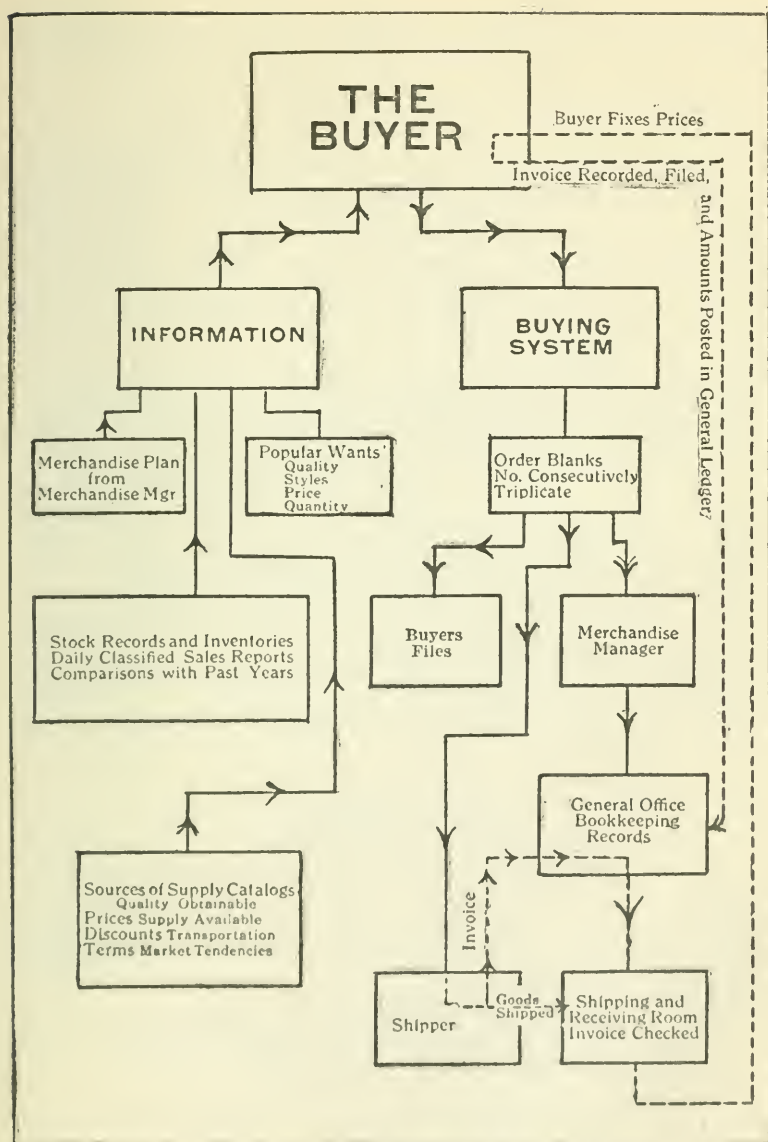


FIG. 18.—Chart Showing System in a Buyer's Office

given on the invoice as correct. After the invoice is returned to the office the clipped column is checked with the receiving clerk's figures and again attached.

Before returning the invoices to the office from the receiving room, the buyer notes after each item the selling price to be marked on the merchandise. The selling prices thus marked become the base for all computations following, such as percentages of expense, markdown, profits, etc., in all stores that have adopted the selling price as the base system. It is from these invoice prices, costs, and selling that the merchandise manager gets his foundation for his perpetual inventory already described.

A record is usually made of each invoice received showing date order was entered, date invoice was received, its number, the name and address of the firm, the amount, terms, discounts, net amount to be paid, when paid, department selling price, and markup percentage.

The invoices themselves are generally filed in a purchase journal and the amounts posted to the merchandise account in the general ledger. The chart on the preceding page, Figure 18, shows the general procedure in a buyer's office.

TEST QUESTIONS

1. What are the buyer's chief sources of merchandising information?
2. How and in what form does he get his merchandising statistics?
3. Outline a policy for handling purchase orders.
4. Explain the records required for the buyer's work.
5. Trace the complete history of a purchase of goods.

CHAPTER IX

SALES SYSTEM

THE SALES SLIP

The sales slip is the fundamental record of the sales system. Accuracy in amounts and proper classification are the factors most desired. Economy of time and labor in preparing them follows closely.

The sales slip in most general use measures 7 by 3¾ inches. It is generally made out in duplicate by means of a carbon sheet, and a triplicate form is gaining favor with many concerns. The third copy is a tissue paper sheet that is attached to the sales book and not removed. It serves in case of loss of the original, and it is also claimed that its use makes dishonesty more difficult.

The usual information on the sales slip includes blanks for the customer's name and address to be used in case of delivery or in case of charged goods, date, number of salesperson and of inspector if inspection forms a part of the store system, showing the kind of sale, whether cash, charge, C. O. D., approval, etc., description of the merchandise, amount of sale, amount of money received from customer, and the number of the sales slip. A typical form of such a sales slip is shown in Figure 19.

In an ordinary transaction, the original is usually kept by the cashier as the store's record; the duplicate is sent with the goods; and the triplicate, when used, is kept by

the salesperson in the sales book and turned into the auditing department when the book is used up.

The duplicate is usually wrapped with the merchandise. In case that the customer pays cash and wants the goods delivered, a receipt is usually given in the form of a slip printed and attached to the base of the regular sales slip. This slip gives amount of sale, salesperson's number, inspector's number, number of sales slip, date, and cashier's stamp showing that payment has been received.

One of the best forms of sales slips for large store use is one that has three parts on its face, each part perforated so that it may be separated from the rest, Figure 20. The address label to be used in case the goods are to be delivered is placed at the top and filled out only when needed. In the center is the regular sales slip with places for names and address in case of a charge sale, description of goods, kind of sale, etc. At the bottom there follows the part kept by the cashier as a voucher and the carbon of which is used as a receipt in case of goods to be delivered and paid for in advance. Each part has the number of the sales slip printed on it and the number of the salesperson.

Cash on delivery sales are usually handled as follows: The sales slip is made showing merchandise, amount, and address of the customer, together with the identifying numbers mentioned for other sales slips. The proper blank showing the kind of sale is marked C. O. D. The original is kept by the cashier as in other cases, and the duplicate is sent with the merchandise to the C. O. D. desk. Here the slip is pasted on a C. O. D. label and this tied to the package. Next a record is made on the delivery sheet, and when the driver takes the package out, he must bring back either the package or the money, and the fact in either case is noted on the delivery sheet.

36022 E 37	<i>Frederick Lewis & Co.</i> BROOKLYN-NEW YORK
<div style="border: 1px solid black; border-radius: 50%; width: 100px; height: 100px; margin: 0 auto; display: flex; align-items: center; justify-content: center;"> CARRIER STAMP HERE </div> <p>FW</p>	<div style="border: 1px solid black; border-radius: 50%; width: 100px; height: 100px; margin: 0 auto; display: flex; align-items: center; justify-content: center;"> CARRIER STAMP HERE </div> <p>FW</p>
Always Repeat Name	
Bought by _____	
FW	
Send to _____	
36022 E 37	36022 E 37
ROUTE FOLIO	CHECK NO. SALES NO. BOOK NO.
QUANTITY WRIT	36022 E
ROUTE FOLIO LINE DATE IQT	
CHECK NO. SALES NO. CARRIER HOW SOLD OR CASH REC'D	
37	
QUANTITY	WRITE ITEMS PLAINLY
DO NOT WRITE ITEMS BELOW THIS LINE	
Total	
CHECK NO. SALES NO. CASH REC'D AM'T OF SALE	
37	
Never Destroy a Check. Have it voided by proper Authority	
36022 E FW	

Customers should
dum. Its presentat
ing goods for exchan
and delay.

Fig. 20.—Multiple Sales Slip

THE VARIOUS KINDS OF TRANSACTIONS

There are a great variety of transactions to be recorded on sales slips about which we need not go into detail here. For example: Transactions may not only be pure cash, charge, or C. O. D., but also part cash and part credit, part cash and part C. O. D.; delivery at a certain date may be bought by one party and delivered to another, bought by one party and charged to another, etc. The store system will have a definite plan of handling every such case, the principle of which involves nothing different from what has already been given.

At the end of the day each salesperson turns in to the head of the department a summary of sales classified as cash, charge, and C. O. D., made up from a record of every transaction on a card at the back of the sales book. The head of the department reports the total for each salesperson and for the department. From these the manager of the store can tell shortly after the closing hour just what the business has been during the day. Salespeople frequently make errors in their additions, hence errors creep into these totals; but it gives a line on the results that may be used until the auditing department has completed its work the next day.

INSPECTION

Some stores have all sales inspected; others do not think it worth while. The tendency is toward inspection. Usually the cashier, where one is employed, is also the inspector and wrapper, but not always. A cashier-inspector can care for the merchandise and cash of about eight to ten salespeople. When cashiers are helped by an inspector-wrapper, the number of salespeople per inspecting station may be doubled. The objects of inspection

are to note whether the merchandise agrees in quality, quantity, and kind with the description on the sales slip, to see if the goods are free from imperfections, to see if the address is clearly written, and the figures totaled correctly. In short, the inspection system is intended to prevent mistakes of any kind, including dishonesty.

THE CASHIER SYSTEM

The work of the cashier is obvious, viz., to receive cash, make change, and stamp sales slip paid. Each cashier is provided with her own till, and when cash registers are used, with a die that stamps her number on sales clips.

On starting work the cashier is provided with a certain amount of change, amounting to from ten to twenty dollars. At the close of her work she turns in the money with this amount of change kept in a separate canvas bag. The proceeds of the sales taken in are made up into coin parcels showing contents of each, and a report is made with the cash as it is turned in, till and all, to the head cashier. This report shows "Balance held to serve as change," currency, gold, silver, checks, refunds paid out, total cash turned in, and number of voided sales clips. At the end of the report the cashier signs her name.

The money is then recounted by the head cashier, and a report is made out showing cash from each cashier. The cashier's till with the bag of change is placed in a safe until the morrow.

The report of the head cashier must agree with that of the auditor's totals from the sales slips. If any discrepancy occurs, an investigation is made to determine the reason and responsibility for the error.

AUDITING SYSTEM

The purpose of the auditing system is to check every sales slip and make totals for departments and for indi-

vidual salespeople, showing actual sales, cash receipts, charges, C. O. D.'s, and other transactions.

The sales slip originals are turned in by the cashiers to the auditor, and the cash is turned in to the head cashier. The head cashier totals the cash, the auditor totals the sales slips, and the two should agree on cash received by the store. If there is a difference, the slips are checked over individually in the order of their numbers. Since all sales slips are consecutively numbered, all must be accounted for. Salespeople are not permitted to throw away any, even if errors are made that cannot be passed. Such sales slips are marked "void" by the floor manager and turned in with the sales slip at the end of the day.

Stores that use cash registers with an adding machine attachment use the totals from the registers as a third source of information on cash taken in.

After the cash has been audited, the next step is the auditing of sales for each department and finally for each salesperson in the department. The sales slips are first assorted according to departments; or if the store is fully departmentalized, each salesperson selling in only one department, the department sales slips will be found all together as they come from the cashiers. The one exception to this in all stores is due to the use of "transfers." By means of the transfer sales slip, the customer can buy from one department to another without being troubled with making settlement until all goods desired have been obtained. Each salesperson who serves the customer makes the appropriate entries on the card for the goods purchased in the department. In some of the largest stores the transfer card is provided with several sheets, each to be filled out in duplicate, the original left attached to the card and the duplicate torn out and sent with the goods to the wrapping department. In any case the

transfer sales slips or cards are classified according to departments by the auditing department.

After the totals for each department are determined, the sales slips are next classified and totaled for each salesperson. In this way a check is obtained on the salesperson's own record of his or her own sales as entered in the index or card kept in the back of each salesperson's sales book.

Charge sales slips and C. O. D.'s are likewise totaled and added by departments and for each salesperson.

Missing sales slips are hunted up, returns from C. O. D.'s are checked, and partial payments on goods to be delivered later are noted. In short, totals are found and verified for all the classes of sales. Following this, the reports of the auditing department become the figures of record. General manager, merchandise manager, buyer, and superintendent of salespeople get the reports they need from these figures.

CREDIT SALES SYSTEM

When a customer asks for credit, the first step is always an introduction to the credit manager. The latter gets certain information from the customer, such as name, address, occupation of husband or of breadwinner, place of business, number of years at present residence, previous residences, and references. This information is usually written down on a blank called an "Application for Credit."

Following this preliminary visit in which the credit manager gains all the information possible in a tactful way and forms an impression of the desirability of the applicant as a credit customer, the manager begins an investigation by writing the references, looking up the ownership of property claimed by the applicant, previous

credit reputation with other dealers formerly dealt with, and several other sources, if thought necessary, such as employers of the breadwinner, pastor of church, and even nearby neighbors. Standing in the community is considered. Past record for paying bills is highly important, and in many cities this information is obtainable from local credit associations. Steadiness of income is likewise all-important.

Next a certain limit is placed upon the amount of credit to be granted. A normal expenditure for the various lines of merchandise is known, for classes of people with different amounts of income, and the credit line or limits usually approximates these normal amounts.

Having a credit footing established, the customer is then in position to buy goods on account.

When the customer appears at the counter and asks to have goods charged, the usual routine consists, first of identification, and, second, of authorization. In small stores in small towns it may be easy for salespeople to recognize the customer, but in large stores where salespeople cannot possibly know all customers, some method is required to make sure that the customer is who she says she is. The floor manager often knows the customers better than the salespeople, and he may identify the customer. An imposter, if brought before the floor manager would be likely to show some signs of guilt, and the floor manager is keenly observant of such things when he does not feel absolutely certain about the customer's identity.

Most large stores use a system of cards or coins, one of which is given to each customer when the account is opened with instructions to show it to the salesperson when wishing to buy for credit.

After the customer is identified, the charge sales slip

is next sent by tube or carrier system to the credit authorization department; or a telephone system is used by which the salesperson gets in direct touch with the credit authorizer. The credit authorizer gets the name, address, and amount of the sale. He then turns to his file of accounts and quickly finds the record of the customer's account and determines whether the amount of credit desired is within the limits fixed by the store. If so, approval is stamped on the sales slip if tube system is used, or by means of an electrical stamping device, if a telephone system, and the sale is completed.

Immediate authorization by telephone or tube is necessary, of course, only when the customer desires to take the goods bought with her. In other cases where delivery is to be made, an authorizer takes care of the matter in the shipping room. If the credit limit is exceeded, the goods are held up and a letter sent to the customer telling her tactfully that the credit limit has been reached and desiring an interview. When authorization fails over the telephone or through the tube system, when the customer desires to take goods with her, the salesperson asks the customer to come to the credit office.

All these matters have to be handled very tactfully, for the average customer is very sensitive upon such a matter as credit. The store cannot afford to lose any good customer, hence the care necessary in handling every individual case.

To make authorization effective as a means of checking customers from overbuying their limits, all charges are posted to the authorizer's records daily. Some stores have systems that show distinctive signals for all accounts that are approaching the limits.

The usual authorization desk record of customers is a card index file, each authorizer, if more than one, having

charge of all customers whose names begin with certain letters. Another device in frequent use is a vertical stand with swinging boards containing slots into which slips showing names and addresses of customers, together with their credit limits and amounts of present indebtedness, are placed. The names are arranged alphabetically and may be found in a very short space of time.

Some stores have a rule that authorization is not necessary even if customers desire to take the goods bought with them at once, if the amount is less than some arbitrary sum such as five dollars. All that is necessary for amounts less than this is the identification by card, coin, or by acquaintance with salesperson or floor manager.

TEST QUESTIONS

1. Why is the sales slip of especial importance in store accounting?
2. What information should be listed on a sales slip?
3. How are the various parts of multiple sales slips handled and used?
4. Outline an inspection system for checking sales.
5. Describe the cashier's system.
6. Explain exactly how sales are audited. What are the sources of information and the checks?
7. What steps should be taken in authorizing charge accounts?
8. What information is usually kept in the credit office regarding charge customers?
9. How are charge purchases handled in the store after an account has been opened?

CHAPTER X

EFFICIENCY IN THE RECEIVING DEPARTMENT

Goods received from suppliers, either manufacturers or wholesalers, should be handled systematically as they come into the store. Some system is better than no system, but there are great differences in the practicality of various systems for various businesses. The following suggestions are not intended to outline a system but rather to help the buyer or store manager in developing his own system.

HOW TO OPEN CASES

There is an art in opening boxes and barrels just as there is an art in doing up packages; and not everyone who does this work is doing it as it should be done. Barrel heads should be pried open and not driven in. Driving them in is likely to damage goods within. Boxes should be opened with nail pullers in such a way as to prevent the breaking of the covers. Boxes made of lumber are valuable to-day and should be cared for and disposed of to some financial advantage. Always open cases or boxes from the top.

It is a good plan to open only one case at a time. All the packing material should be saved until the invoice is checked. Losses due to goods hidden in the packing, paper, or excelsior are common. The goods from the cases when unpacked should be laid on a counter in regu-

lar order so as to make it easy to check them. A good deal of time may be saved by having appropriate floor and counter space in which the unpacking may be done.

HOW TO CHECK MERCHANDISE

The next step is checking with the invoice. In small stores the invoice sent by the manufacturer may be used, but if the unpacking is done by an employee, and there is a good deal of it to do all the time, a better plan is to have the checking done on a blank invoice, one with the list of items but without the figures showing quantity ordered. The checker then must carefully count the goods, and his count is compared in the office with the supplier's invoice. A simple device used among some small merchants is to clip the invoice in two at the line, dividing quantity from the names of the items and then fastening the prices together again after the checking.

Shortages, breakage, bad order, goods below standard, mistakes, or substitutions should be noted in the checking and the matter attended to from the office as soon as possible. Adjustments are always easier to secure and are generally more satisfactory when called for immediately.

INSPECTION AND TESTING

Inspection of goods by simple scientific and practical tests is often desirable. At small expense, for example, the average dry goods store can equip itself to make its own textile tests, especially for those qualities that customers are most interested in knowing about. A truthful answer based on actual knowledge carries conviction and may swing the sale. The following are some of the questions that the dry goods salesman should be able to answer from his own knowledge of the goods:

1. Will the colors fade?
2. Does the wool or worsted cloth contain cotton?
3. Is the linen pure?
4. Is the silk pure or true?
5. Is the silk weighted or loaded?

EQUIPMENT NEEDED

In order to be certain about the qualities in the lines suggested above, tests must sometimes be made. Most of such tests can be made easily, if the materials needed are at hand, and if a little time is taken for doing the work. The following equipment will prove very serviceable for any dry goods store or dry goods department:

1. A small but powerful magnifying glass called a "linen tester." With this glass, after a little practice on known goods, one can distinguish the difference between cotton, silk, and wool fiber. Such a glass is a great help to the eye.

2. Samples of different kinds of laundry soap.

3. An alcohol lamp or other means of heating water or solutions to the boiling point.

4. Several glasses in which the solutions can be prepared and heated over the alcohol lamp or other heating apparatus. In the laboratories a very thin glass is used, shaped like a tube, closed at one end, and rather long. These glasses are called "test tubes." They are very convenient and should be obtained if convenient to do so. One dozen three-quarter inch test tubes will be sufficient for many tests. Care must be taken to keep these glasses or tubes clean. All tests should be made in clean apparatus.

ARE THE GOODS PURE WOOL

5. Bottle of caustic potash solution. This may be made up in a quart bottle by putting two ounces of

caustic potash and then filling with hot water. The caustic will dissolve, and the solution will then be ready for use.

This solution is used in determining whether there is any cotton or other vegetable fiber in wool fabrics. The method is very simple. A sample of the suspected cloth is placed in a glass or test tube and then enough of the solution is poured over it to cover it. It is then boiled for fifteen minutes.

In that time all the wool should have disappeared or dissolved. Cotton or any other vegetable fiber will remain undamaged. Any residue remaining shows that the fabric is not pure wool.

6. An 8-ounce bottle of concentrated sulphuric acid (80 per cent). This is a powerful poison and should be handled carefully. It may be used instead of caustic potash in determining the presence of wool or silk in cotton mixtures. In such cases the sample of the fabric is placed in a glass or test tube and covered by the acid. But instead of heating the glass it is in this case placed in a cool place for about twelve hours. At the end of this time all the cotton should have disappeared and all the wool or silk should still remain.

COTTON AND LINEN

Another use for this acid is in determining the presence of cotton fibers in linen. Both will be dissolved by the acid, but the linen resists the acid considerably longer. The test is applied by taking a sample of the cloth to be tested, washing it well in boiling water and soap suds, then immersing it for a couple of minutes in the concentrated acid, and then removing to see if some of the fibers tend to be destroyed sooner than others.

This immersing and examination may be repeated

several times. If one set of fibers begins to disappear before the rest, it is a fairly certain sign that the linen is not pure. The sample should be rinsed in water after each dip in the acid. When wet with the acid, the samples should be handled with a glass rod or tube. Anything but glass is likely to be attacked by the acid.

TESTING SILK

7. A 4-ounce bottle of 50 per cent solution of chromic acid. Any druggist can prepare this properly. This solution is used in testing silk to determine whether any so-called "wild silk" has been introduced into it. A little of the solution is placed in a glass or test tube and brought to a boil. Then the sample of the fabric is immersed in it. True silk will all be dissolved in it within a minute. Wild silk will remain insoluble for at least three minutes. The wild silks include tussah, yamamai, senegal, and several other varieties.

8. An 8-ounce bottle of artificial silk testing solution. The solution is made up by taking, 10 parts copper sulphate, 100 parts water, and 5 parts glycerine. These are mixed thoroughly in the bottle. There will be a foggy substance in the liquid. Add some of the caustic solution, No. 5, to this solution until this fog disappears. Only a little caustic solution will be necessary.

This solution is useful in determining whether silk has any artificial silk in it. Some of the solution is placed in a glass. The temperature should be about 75 or 80 degrees or about ordinary room temperature. Then the sample of the fabric should be placed in it. True silk will dissolve almost at once as if it were melted. Artificial silks will not dissolve at all in this solution. The test is simple and effective.

TESTING COLORS

To test for fastness to sunlight expose a sample in sunlight for a period of several days. If it does not begin to fade within thirty days it is "very fast" in color. If it fades within fifteen to twenty days, it is "moderately fast." If it fades in less than two weeks, it is classed as "flecting."

To test for fastness to "street wear" sprinkle a sample of the fabric with water in which a little lime has been added. Allow the drops of water to evaporate, brush the sample and take note of whether any change in color or luster appears.

Fastness to perspiration is frequently tested by placing a sample of the fabric next to the skin and keeping it there for a few days. Military cloths are tested for fastness to perspiration by placing samples in the shoes of marching soldiers.

Fastness to washing may be tested by washing the samples in hot soap suds. Frequently boiling the samples in soap suds in a glass or test tube is sufficient to determine whether the colors are fast or not.

The usual method is to put an undyed sample of the same fabric as the one to be tested in the test tube. The two are boiled together. If there is any tendency to fade in the washing, the color in the dyed fabric "runs" into the undyed piece. If the latter shows any change after boiling it is a sign that the dyed fabric is not absolutely fast to washing.

WEIGHTED SILKS

Silks that are weighted or loaded can be distinguished simply by burning strands of thread drawn from the fabric selecting some from both warp and woof. Pure

silk will burn in a flame and leave but very little ash or residue. In the flame pure silk seems to melt, and the end of a silk thread that has been burned is always shaped like a wax bulb.

Silks that are weighted with iron or tin salts, when burned, leave much ashes. When heavily weighted the threads will keep their original appearance and shape after burning, but will crumble like dust in one's fingers.

Many other tests can be made easily in the store, and the actual facts determined so that customers can be told the exact truth about the goods they buy. It is for such service as this that the customer rightfully pays the retailer a profit, and it is such service as this that the best customers appreciate.

After the checking the goods are ready for the stockroom or for the store. If the goods go to a stockroom before going into the store, considerable attention needs to be given to the stockroom in the way of keeping the place clean, dry, free from vermin, with proper light and temperature, and with a systematic arrangement that will permit finding the goods easily when wanted.

TEST QUESTIONS

1. What rules should prevail in the receiving department on how to open cases?
2. How should merchandise be checked?
3. How should errors, breakages, etc., be handled?
4. What practical tests can often be made for inspecting merchandise?
5. What equipment is required for such simple tests in textiles, for example?
6. What are some of the tests explained in the chapter?

CHAPTER XI

PRICING THE GOODS

THE GENERAL RULE TO BE FOLLOWED

Marking the prices at which the goods are to be offered to the public merits serious study. Many factors, such as custom, competition, and costs of the goods and of selling govern the matter. The principle of pricing is clear, but the practice of the principle is often complex. The principle is that goods should be marked at what they will bring.

This principle of price-making may be applied by applying one's knowledge of the trade, knowing what the customers may probably want to pay, what they have paid in the past, and what other stores are selling the same or similar goods for.

In affixing prices the buyer may profitably avail himself of the services of the more experienced salespeople. The salespeople may be asked their opinion as to the values, what they think people will pay for them, or better still, what they will be able to sell the goods for. The salesperson's constant contact with the customers should be of great service in determining what customers want and what they seem willing to pay. In other words, the salespeople are probably better fitted than anyone else to state what are the customary price levels for the classes of customers that come to their counters, espe-

cially if the salespeople have been observant in their daily work.

FACTORS AFFECTING PRICING

CUSTOM

Custom plays an enormous part in the daily life of every person. Custom is merely the habit of many individuals applied to matters of concern to many people. There are customary prices 25 cents, 50 cents, and \$1.00 for hosiery; \$2.00, \$2.50, \$3.00, \$3.50 and \$5.00 for shoes; 10 cents and 15 cents for a package of breakfast food; 10 cents and 15 cents for a can of vegetables; 25 cents for a bottle of pickles; 50 cents, \$1.00, \$1.50, and \$2.00 for a pair of gloves; etc. In some quarters, because of persistent bargain advertising, some figures such as 49 cents, 98 cents, \$1.29, etc., have lost their original significance and have become customary prices, and as such merely entail additional costs to retail stores in the way of time lost in change making.

As a rule, it is best for most goods and in most localities not to attempt to change customary prices. Qualities may be adjusted to prices more readily than prices to quality in most cases. But many stores achieve considerable advertising value by selling goods at other than customary prices. Departing from customary prices shocks the attention of the customer, and agreeably so, if the offered price is less than the customary price. Such prices come to the attention in much the same way as the find of money on the street or a gift from an unexpected source. It is the unusual or the opposite from custom.

Prices higher than customary likewise shock the customer, but disagreeably, and the disagreeable feeling is

accentuated, not only by the fact that the price is too high, but also by the feeling that it departs from the usual or customary. When expostulating that the price is too high, the customer frequently says, "Why! I never paid more than so much for it before." This remark springs straight from the feeling aroused by a habit broken.

As already suggested, prices that are not customary fail to have advertising value and only add more labor and expense to a store when continued too long for any article or too generally. The unusual tends to become customary and thus offers no shock, and does not catch the customer's attention. This is precisely the situation in the American retail markets to-day. "Bargain advertising" has been carried to the point where it has lost much of its effectiveness. People have grown accustomed to it. They expect it. Its truthfulness is discounted very generally. It excites no feeling of shock such as described above.

MAINTAINED PRICES

In the long run, for the majority of dealers, the customary price makes for stability. Standardized or maintained prices are in many ways preferable. Competition is drawn from price to quality and service. But with the exception of a few lines of merchandise, sold in special channels, the tendency seems to be away from rather than toward the price maintenance principle. Permitting manufacturers, who choose to do so, to require that their goods be sold by dealers at standard prices will revive merchandising at customary prices. At present the U. S. courts oppose such control over retail markets, but attempts are being made to get legislation that will favor it. In the meantime the more well-known goods

sold at standard or customary prices will continue to be the special targets for price cutters who thereby seek to attract trade from other stores to themselves.

COMPETITION

Competition helps to fix the upper levels at which goods may be sold. The same or similar goods can hardly be sold for more than competitors are getting. For this reason it is highly important for a buyer, and his merchandise manager, if in a large store, to know what others are selling the same or similar goods for. This knowledge can be used not only in marking the goods purchased, but also in some cases as a leverage in prying better prices out of the supplier.

A dealer can hardly be expected to carry goods upon which he makes no profit; thus costs of the goods plus costs of selling fix the lower limits at which prices may be set. If the competition price of a certain article leaves the buyer no profit for his house, he has but three choices:

1. Buy it for less if possible.
2. Reduce his costs of selling it.
3. Refuse to handle the article in his store.

Assuming that the article cannot be bought for less, the buyer may then see what he can do about reducing his expenses of selling. The fixed expenses such as for rent, interest, insurance, and so on, cannot be cut without radical changes in store plans, such as reducing floor space used or reducing stock to a minimum. Reducing salaries of the salespeople either by cutting salaries or by dismissing high-salaried people and hiring cheaper help is a very questionable and usually foolish method of saving, since it generally results in loss in the long

run. Something can sometimes be done by reducing the amount of credit business, and by giving more attention to the customers in the store, so that the goods do not come back for credit or exchange. Delivery expense, expense for alterations, and attention to prevent little wastes of material may sometimes be effectively employed. Eliminating bad credits, unsystematic delivery, and unwise sales on approval has in some cases resulted in stores passing from loss to profit margins.

The cost of the goods plus the costs of selling is never directly the true basis of pricing. It is merely the lower level below which prices must not drop. Some goods may be sold for prices very near this level, others for much above it. All depends upon the desirability of the goods from the consumer's viewpoint.

AVERAGE PERCENTAGE

Many stores aim at fixing prices at a certain average percentage above costs that will cover the expenses and give a certain profit. Except in instances where but few things are handled, and those of the same quality and desirability, the average cannot be made the actual for all goods in the store. Some prices must be made above and some below the average. In the sale of seasonable articles, say millinery, even the same lot of hats must usually be sold at varying prices. Hats at the beginning of the season should bring much above the average while hats at the end of the season will bring considerably less.

THE MATHEMATICS OF PRICING

Many merchants have been deceived by the use of percentages in allowing for profits. There are two bases from which to figure, the *cost* of the goods and the *selling price* of the goods. Suppose the cost of an article is

\$1.00 and a merchant wishes to add a margin of $33\frac{1}{3}\%$ to the selling price. How would he figure it? Adding $33\frac{1}{3}\%$ of the cost will not make it, for note the results:

$33\frac{1}{3}\%$ of \$1.00 = $33\frac{1}{3}c$ = margin for gross profit

\$1.00 + $33\frac{1}{3}c$ = \$1.33 $\frac{1}{3}$ = selling price

The percentage earned on selling price = $33\frac{1}{3} \div 1.33\frac{1}{3}$ = 25%.

Instead, therefore, of earning $33\frac{1}{3}\%$ on the selling price as he had planned, the merchant would actually earn only 25%, because different bases are used in the calculation, and the results can never be the same.

Another method of calculation, must, therefore, be used. To find the correct selling price of the above article the following calculations are made:

Let 100% = selling price

$33\frac{1}{3}\%$ = margin on selling price

$66\frac{2}{3}\%$ = invoice cost = \$1.00

100 x \$1.00

Selling price = $\frac{100 \times \$1.00}{66\frac{2}{3}}$ = \$1.50

It is evident, therefore, that $33\frac{1}{3}\%$ of the selling price equals 50% of the cost price, or marking up an article 50% of its costs is exactly the same as adding $33\frac{1}{3}\%$ of its selling price. The following table shows a few of these equivalents:

Selling Price Percentages	Expressed as Fractions	Corresponding Cost Price Percentages	Expressed as Fractions
50	$\frac{1}{2}$	100	$\frac{1}{1}$
33 $\frac{1}{3}$	$\frac{1}{3}$	50	$\frac{1}{2}$
25	$\frac{1}{4}$	33 $\frac{1}{3}$	$\frac{1}{3}$
20	$\frac{1}{5}$	25	$\frac{1}{4}$
12 $\frac{1}{2}$	$\frac{1}{8}$	14 $\frac{2}{7}$	$\frac{1}{7}$
10	$\frac{1}{10}$	11 $\frac{1}{9}$	$\frac{1}{9}$

A very simple formula for figuring the percentage to be added to cost in order to realize a given percentage on the selling price is the following:

Let x = the percentage of gross profit desired on selling price.

$$\text{Then } \frac{x}{100-x} = \text{percentage to be added to cost price.}$$

Substituting in the formula the figures when a gross profit of $33\frac{1}{3}\%$ is desired on the selling price, we get the following calculations:

$$\frac{33\frac{1}{3}}{100-33\frac{1}{3}} = 50\% \text{ to be added to cost price.}$$

We are now ready to arrive at a general formula for figuring the selling price directly. The formula is as follows:

$$\frac{100 \times \text{cost}}{100 - (\text{selling expense} + \text{desired profit})} = \text{selling price.}$$

If, for example, in the above case the selling expense is $23\frac{1}{3}\%$ and the net profit desired is 10% , the selling price would be figured thus:

$$\frac{100 \times \$1.00}{100 - (23\frac{1}{3} + 10)} = \$1.50 = \text{selling price.}$$

These formulas will enable anyone to calculate directly the selling price of an article or the percentage which must be added to cost in order to make any desired percentage of gross profits on sales. The table given in Figure 21 will prove a valuable guide in figuring some

of the more common selling prices when the invoice price is given.

Invoice Price	SELLING PRICE—PROFIT FIGURED ON SELLING PRICE							
	5%	10%	15%	20%	25%	30%	33⅓%	50%
3	3¼	3⅓	3½	3¾	4	4¼	4½	6
4	4¼	4½	4¾	5	5⅓	5¾	6	8
5	5¼	5½	5¾	6¼	6⅔	7¼	7½	10
6	6⅓	6⅔	7	7½	8	8½	9	12
7	7½	7¾	8¼	8¾	9½	10	10½	14
8	8½	8¾	9½	10	10⅔	11½	12	16
9	9½	10	10½	11¼	12	12¾	13½	18
10	10½	11¼	11¾	12½	13⅓	14¼	15	20
11	11¾	12¼	13	13¾	14⅔	15¾	16½	22
12	12¾	13⅓	14¼	15	16	17¼	18	24
13	13¾	14½	15¼	16¼	17⅓	18½	19½	26
14	14¾	15½	16½	17½	18⅔	20	21	28
15	16	16⅔	18	18¾	20	21½	22½	30
16	17	18	19	20	21⅓	23	24	32
17	18	19	20	21¼	22⅔	24¼	25½	34
18	19	20	21¼	22½	24	25⅔	27	36
19	20	21¼	22½	23¾	25⅓	27	28½	38
20	21	22¼	23½	25	26⅔	28½	30	40
25	27	28	30	31¼	33⅓	35⅔	37½	50
30	32	33⅓	35⅓	37½	40	42¾	45	60
35	37	39	41¼	43¾	46⅔	50	52½	70
40	42¼	44½	47	50	53⅓	57	60	80
45	47½	50	53	56¼	60	64⅓	67½	90
50	53	56	59	62½	67	71½	75	100
55	58	61	65	69	73	79	83	110
60	63	67	71	75	80	86	90	120
65	68	72	76	81	87	93	98	130
70	74	78	82	88	93	100	106	140
75	79	83	88	93	100	107	113	150
80	84	89	94	100	107	114	120	160
85	89	94	100	106	113	121	128	170
90	95	100	106	113	120	129	135	180
95	100	106	112	119	127	136	143	190
100	105	111	118	125	133	143	150	200

FIG. 21.—Showing Invoice Price and Selling Price at Certain Rates of Profit Figured on Selling Price

Fractions are given in nearest value of ¼, ⅓, and ½ and are omitted entirely in the larger values.

THE TURNOVER TO BE CONSIDERED

Another factor in price making is the turnover.

“Turnover” means the rate at which the capital invested in stock comes back and may be reinvested within a given period of time, commonly a year. A dollar invested in an article that is sold, permitting reinvestment represents one turnover.

The usual method of computing the turnover is to divide the sales for the period under consideration by the stock at inventory as it was at the beginning of the period or at the end of the period.

There are several errors in this method. In the first place the inventory usually represents stock values at cost; consequently the comparison is made between values at cost prices on the one hand with values at selling prices on the other. The comparison should be made between gross sales and inventory at selling values, or between sales reduced to cost by subtracting the gross profits and inventory at costs.

Another serious error in this method is that the annual inventory may not be at all a fair representation of the average capital invested in stock.

A correct rate of turnover can be found by dividing the sales by average stock carried during the year at its retail values. Or, the result can be obtained by dividing sales reduced to cost values by average stock at cost. The result will be the same if the calculations have been consistent throughout. For example, if the average inventory is \$25,000 at cost or \$50,000 at the selling price and the actual sales are \$75,000 at cost or \$150,000 at retail, the rate of turnover is, of course, three in each case. Obviously, however, the result would be very misleading if the inventory were used at cost, while the sales were used at retail.

The following table indicates customary turnovers in successful stores:

Grocery	8 to 12 times per year.
Hardware	2.5 " " "
Dry Goods	3 " " "
Shoes	2.5 " " "
Furniture	2 " " "
Drugs	1.5 " " "
Jewelry	1.5 " " "

It is proverbial that lowering the price of most articles usually though not always stimulates demand for it. A toilet article increased its sales over ten times when the price was reduced from 35 cents to 25 cents, the lower being a customary price. At 19 cents the same article increased its sales to double what it was at 25 cents. At which price should it be sold? All depends upon the possible profit.

Suppose the cost to be 15 cents apiece, straight. At 35 cents, each article would bring in a profit of 20 cents. At 25 cents, a profit of 10 cents would be made on each, but since the sales increased tenfold, the total profit would be \$1.00 on the capital invested in one article within the time of the sale. At 19 cents the profit on each would be 4 cents, but on twenty, the resulting sales, the total would be 80 cents. Under the conditions of the illustration, it is obvious that the proper price for this article is 25 cents and not 19 cents or 35 cents.

In conclusion, the retail price must be fixed by considering what it will bring under whatever competition may exist. Customary prices are probably best for the majority of goods under most circumstances. The cost of the goods and of selling should be fully known not for the purpose of fixing the price, but to serve as a guide

pointing out the lower limits. Finally the correct price is that amount which will bring in the greatest net profits, total sales and total expenses considered.

TEST QUESTIONS

1. What are some of the chief factors affecting the pricing of goods? How is a buyer to determine prices?
2. Why should customary prices be recognized?
3. When is a variation from customary prices justifiable?
4. What are the advantages of maintained prices?
5. How does competition influence selling prices?
6. Indicate the danger in marking up an average percentage on all goods.
7. What are the two bases used for figuring profits? Which should be used?
8. A profit of $33\frac{1}{3}\%$ on the selling price is what per cent on the cost?
9. Show a general formula for figuring the selling price at any desired profit.
10. How is turnover figured?

CHAPTER XII

RETAIL STORE POLICIES

A store is known by its policies. "Satisfaction guaranteed," "Your money back if you want it," "The customer is always right," "Alterations made without charge," "One price to all," "Your credit is good here," are policy slogans that are familiar to all and that have made certain stores famous.

The way in which goods are sold is just as important to the public as the goods themselves. Policies concern themselves with the ways of selling goods, in other words, with the store's service. The policy is the principle followed by the store in given classes of conditions.

VALUE OF STORE POLICIES

A policy constantly followed, if in line with what the people want, has a cumulative advertising effect. It offers a talking point for both store employees and the public. It offers an effective point of departure for the advertising of the store.

Take the policy of free exchanges as an example. Carried to its logical limit, disregarding for the moment its element of abuse, customers say to each other at their homes, "Well, you can always take back the article if you find you don't like it." At the store salespeople in many cases close the sale by saying, "And if you

don't like it, bring it back." The advertising man likewise refers to the policy in effective phraseology.

The store's policies should cover the limits of its methods within which the individual employees should have the opportunity to exercise initiative. Since the limits are set, the salesman who finds himself pushed by the customer can, if thought best, shift his responsibility by quoting the policy.

To illustrate, it may be the store's policy to make a moderate charge for alterations. A customer may urge the salesperson to make an exception in his or her case. The salesperson may urge the fact that the alteration asked is one that will cost the customer but very little, or he may show the customer how to do the work herself, if that seems advisable; but he will refuse to alter the garment with the reply that, "I am sorry but the policy of the store is not to make alterations free." Then he will follow with an explanation to convince the customer that the policy is right.

The policies of a store thus serve both to advertise the store and to define its limitations. The policy is at one and the same time something to live up to as well as a rule forbidding going beyond. Well-defined policies fully explained go far toward making it easy to get employees to do their work along proper lines.

KINDS OF POLICIES

A store's policies include such matters as qualities of goods handled, buying methods, methods of paying for goods, methods of getting employees, methods of training and remunerating employees, etc. Here we shall consider briefly only those that have to do with selling the goods to the public.

PRICING POLICIES

Pricing policies come first for consideration. Not long ago all stores priced their goods in cipher and sold them for as much above the cipher as they could get. To use a well-worn expression from the transportation field, they charged "what the traffic would bear." This policy is economically sound, though it now is giving way to the policy, "One price to all."

When the large stores began to come into existence, some sixty years ago, store managers often found that their employees were no match in the bargaining process with some of their customers. The employees were young and inexperienced, while the customers were shrewd and capable. This naturally drove the managers to fixing the prices in advance, the prices at which they thought the goods would sell.

Considerable misgiving was felt for the policy, but the public liked it, and now there is no question but that a one price, fixed for all, is much more desirable than the variable price fixed as a result of bargaining at every sale. Thus the necessity of employers for cheaper, inexperienced salespeople forced them to invent the new sales policy that turned out to be a vast improvement over the old methods.

The essential features of the one price system are that it removes from the salespeople the power to change the price. The price may be changed as often as liked by the store manager but only as affecting sales in the future and never as affecting individual sales at any given moment.

Knowing the policy, both customer and salesperson are saved the time and disagreeableness of haggling about the price.

PRICING AT DIFFERENT LEVELS

There has been much discussion recently of a policy of pricing goods at different levels to cover different amounts of service. For example, a California store is reported to have a certain price for goods sold for cash and taken home by the customer himself or herself. An extra 5 per cent added to the price of the goods when delivery is expected, and another 5 per cent is added where sales are made on credit. These percentages are arbitrary, and many instances could be pointed out to show them illogical, but the newspaper account of the California store states that the store is making a success of its plan.

There are sound business grounds for different price levels in the retail trade, and it is likely that several new policies will be developed along these lines. There are, however, many objections to the adoption of such a plan, such as the difficulty of working out price differences that will not invite successful competition and the difficulty of changing popular buying habits. For a few years to come it seems likely that the different price level plans will be applied only in the large cities and only by a few of the more enterprising and adventurous dealers. The large city, rather than the small community, is likely to offer the right field for beginning such a policy because of the variety of tastes and demands likely to be found there, and, therefore, the likelihood of finding a number who will be interested in this policy sufficient to support the store. It is not impossible that such conditions may be found in some small places, but it is somewhat improbable for the average community.

POLICIES AS TO STORE SERVICES

Service is essential to present day retailing. How far a store shall go in the way of offering to deliver goods, make exchanges, send out goods on approval, or on memorandum, will depend upon the community and what other stores are doing.

Theoretically the service will go as far as the people will pay for it. There is a point beyond which customers will prefer to incur some extra trouble in order to secure lower prices. On the whole, however, the point for most people, is not reached until after reasonable delivery and other services are provided.

APPROVAL SALES

Sales on approval have come to be one of the most serious expense factors in retailing in a great many communities. Some stores have to take back under this policy as much as one-half of their gross sales. This means double selling expense, waste, and extra labor in all departments.

Competition is the mother of sales-on-approval. A certain degree of such selling is justifiable, but the extremes are uneconomical and without justification upon any ground. The only remedy seems to be less competition and more coöperation either by understanding or by agreement among the store managers of a community. Something may be done by progressive concerns in limiting returns and exchanges by calling attention to the unsanitariness and likelihood of contagion in the practice of such exchanges in such articles as are used for dress or toilet. This argument will give a good reason for limiting the policy and at the same time discourage people from going to stores where these limitations are not exercised.

CASH OR CREDIT POLICIES

Cash or credit has been discussed pro and con for a long time. It must be said that more reasons have usually been given for the cash-only policy than for credit selling; but in practice the great volume of business is done on a credit basis.

Credit is the logical form of distribution for the majority of stores in most communities. The great volume of business at wholesale is conducted on a credit basis. Most consumers, like dealers and producers, must buy before their income gets to them. There is no good reason why an individual who is regularly employed, or possesses other good prospects of an income should not be granted limited credit. Regardless of theorizing on the value of retailing at cash, most stores will find it advisable to give credit to many of their customers at least for short periods of time, corresponding to the length of time between pay days or income receiving time. At the same time, under other conditions there will always be a place for cash business concerns who will be able to get business enough to succeed on their policies. Selling at cash generally requires concessions or services in some other line to make up for the no-credit policy.

It goes without saying that the store of the present must accord equal treatment to all customers who enter. Still in the larger communities it may be found impossible to draw all classes of trade successfully; hence every possible effort must be centered to get and to keep the trade of the class most desired. This result can be gained by proper display methods and by the character of the goods and advertising much better than by snob-bishness in the store or other foolish policies.

HANDLING OF COMPLAINTS

In the treatment of complaints, it has been found invariably best to assume at the start, at least, that the customer is right. Later investigation may reveal the customer is wrong, but the assumption should be that the customer must be right at the start. To conclude that the customer may be wrong without the most careful investigation, invariably leads to trouble. Any experienced store manager has had experiences like the following:

In a town of 10,000 population one of the general stores held a sale one day on ladies' handbags, regularly sold at \$4.50, but on this day sold at \$2.50. A professional man, well known in the town, happened in that day and bought a handbag as a present for his wife. When he got home, his wife concluded that something else would suit her better, so the next day she took the handbag to the store, accompanied by two or three friends. The store had the policy of freely exchanging such goods, so the handbag was accepted by one of the salespeople in the store and a trade memorandum showing that the store owed \$2.50 was made out and sent to her. On receiving it she looked at it and returned it with the remark that it should be \$4.50.

"But the handbags were sold for \$2.50 yesterday," said the salesperson.

"My husband told me that he paid \$4.50," she replied rather warmly, and in the presence of her friends. The salesperson tried to explain that the handbag must have been sold to her husband for \$2.50. This only angered the customer. Before her friends the inference had been passed that her husband had lied to her. She refused to receive the due bill, left her companions, walked out of the store and up to her husband's office. Upon entering his office she said sternly:

“What did you pay for that handbag?”

“I paid \$4.50 for it,” he replied.

“What did you do with the sales slip?” she next asked.

He tried to think, but said he didn’t know, but finally thought that he might have thrown it out of his pocket into the office waste paper basket that morning.

She rushed over to the waste paper basket, turned out the contents, and finally found the sales slip. On it was marked \$4.50. Though the handbags had been on sale the day before, some salesperson had made the mistake of selling one to this man at the regular instead of the special sales price.

It was reasonably assumed that the wife was mistaken at the store, but the assumption happened to be entirely wrong.

This store never regained the trade of this family.

A policy of considering the customer as always right at the start would have obviated the whole trouble. Lack of the policy lost the store thousands of dollars’ worth of trade in the years that followed.

It is human nature to err unintentionally and to defend the mistake with perfect honesty of purpose. The store-keeper who recognizes this fact knows that there are two possible causes for an error—the store and the customer. It is good diplomacy and good business to assume that the customer is right until clearly proved in error by incontestable evidence. A tactful handling of the case on the basis of such facts will usually result in a fair adjustment as well as the retention of the customer’s goodwill and trade.

In conclusion, the store needs policies to protect itself from its own errors. It needs policies as a matter of defense against abuses. It needs policies as a matter of trade promotion, and it needs policies that may serve as standards of performance for all who are employed.

TEST QUESTIONS

1. What is the value of definite store policies in so far as customers are concerned?
2. How does a definite store policy aid in better supervision of employees?
3. Enumerate the most important points in regard to which definite store policies should prevail.
4. Under what conditions is pricing at different levels practicable?
5. What attitude should a store adopt as to approval sales?
6. Under what conditions are credit sales worth while?
7. What should be the policy as to handling complaints?

CHAPTER XIII

ART OF FINDING GOOD EMPLOYEES

THE SCIENCE OF EMPLOYMENT

As vitally important to the success of a retail store as good location is the art of finding and keeping good employees. The employer has a double responsibility. He must find employees who will help him to make the business successful. He must also help the employees to make successes of themselves. The two are inseparable. A good employee is always one who is making a personal success for himself in his position. A poor employee is not only one who does not help the store, but also one who is a personal failure so far as his present position is concerned.

To a very large extent the welfare and prosperity of the salespeople and other employees of a retail store rest with the efficiency of the employer. If he does his work well, they succeed and enjoy the happiness of success and achievement. The aim of all business is service to humanity. An individual employer can do no better than to select his employees and develop them with reference to their potential usefulness and contentment. Through this method only can the success of the store as a permanent institution be insured.

Scientific employment aims at nothing more nor less than finding the right employee for the right place, and

by that is meant, finding the employee who can do the work of a certain position well, who will take pleasure in it, and who will grow in it.

THE SUPERINTENDENT OF EMPLOYEES

While employment of store help is now by custom one of the functions of the store superintendent, it should be the work of a special division which should be in charge of all matters growing out of the relations of the store to its employees, including employment, education, development of efficiency, discipline, welfare, and so on.

The chief official in charge of this department should rank in the store organization as high as the merchandise manager, the superintendent of buildings and equipment, or the head of the accounting and finance division. He might be designated the "superintendent of employees," "superintendent of associates," or, to borrow the English term for salespeople, "superintendent of assistants." This official should be an expert on employment, on education, and on welfare work. In concerns large enough to demand subdepartmentalization, his subdepartments should be, respectively, employment, education, records, and welfare work.

The remainder of this book will deal with the activities of the store along these lines. The present chapter presents the subject of employment.

ANALYSIS OF POSITIONS TO BE FILLED

The preliminary step to scientific employment is a thorough analysis of the requirements of each position to be filled. So far as possible, the actual duties to be performed, the methods to be used in the performance, the mental attitude desired from the person on duty, the phys-

ical, mental, and moral strains imposed, and the requirements of personality should be clearly defined.

It is the experience of hundreds of the most successful people of all walks of life that definitions lack their essential quality until reduced to writing; hence, it is suggested that every store employment department manager should seek to get into writing a fairly definite notion of what is necessary in every position that it is likely must be filled at some time or other.

The object of such definite analysis will be obvious at once. After such an analysis of any given position has been made, the employer is in a much better position to select just the right type of employee to fill the place than when the needs of the position are only realized in a general way. The analysis makes it possible to show the new employee just what is expected of him and how he can make good. Finally, the analysis furnishes the basis upon which the education of the new employee may proceed.

Of the duties assigned to the new employee, some, perhaps, he can perform skillfully, others only indifferently well, while others he cannot do at all or very poorly. A little supervision preceded by conferences will quickly reveal the weaknesses, the things that should be taught. Hence based on the analysis of work and of the employee, the educational work can proceed without waste of energy.

ANALYSIS OF QUALIFICATIONS REQUIRED

Certain general qualities are demanded in all positions, such as industry, intelligence, honesty, and good health. Every position in a retail store demands punctuality, obedience, and courtesy. Willingness to work and to learn, coupled with scrupulous honesty are desirable qualities in the whole field of industry. Good health is obvi-

ously essential, and, in a system with many employees, punctuality, obedience, and courtesy are necessary in order to insure a smooth running organization.

In addition to the general qualities needed in all positions, every position will demand special qualities and require the performance of specific duties. What these are for any given position can be determined only by a study of the position itself, not only as filled in the past by former employees, but also in relation to the possibilities for greater efficiency.

In order to make clear what is meant by analyzing a position for the purpose of filling it with the right kind of an employee, two typical forms, Figures 22 and 23, are presented, each giving the qualifications that might be found generally desirable in the positions of stock girl and of notions saleswoman, respectively. These forms are intended to serve as illustrations rather than models. The specific analysis for a specific store might differ very widely in detail from either of these two given here.

With this analysis before him the employer can effectively decide concerning applicants for the position of stock girl which one is best fitted for the work. Having selected the best one for the place, the outline can be used as the means of instructing the new employee as to just what she is expected to do. If she has never been employed in a store, she will need instruction on how to do most of the things mentioned. Someone will have to show her how to handle suits and coats, how to brush them, how to hang them up, how to carry them, etc.

Thus the analysis serves both as a guide to the employer and to the newly employed stock girl. He chooses her because she seems to be adapted to the work as outlined, and she uses the outline in preparing herself for her work. If at any time her work is not entirely satis-

ANALYSIS OF POSITION

Department (Suits and Dresses)

Position (Stock Girl)

I. General qualities

- (a) Willingness to work.
- (b) Sensible. Willing to learn. Attentive to instruction. Good memory.
- (c) Honest.
- (d) Strong and healthy.
Evidences of health and strength.
Good appearance.
- (e) Punctual.
- (f) Obedient.
- (g) Alert.
- (h) Patient.
- (i) Cheerful.
- (j) Ambitious.
- (k) At least 16 years of age, but not more than 20 (In conformity with law of some states).
- (l) Common school education.
Ability to read, write legibly, and spell common words correctly.
- (m) Sensibly dressed for work. Neat and clean.

II. Duties of position

- (a) To keep the reserve stock in good order all the time.
- (b) To watch the sales stock carefully and supply new goods from reserve as quickly as needed.
- (c) To run errands for the buyer or other authorized head of department.
- (d) To keep hangers off floor, and return goods to cases when found on chairs and tables after they have been displayed to customers.
- (e) To help salespeople with customers during rush hours.
- (f) To help in dressing displays.
- (g) To assist in marking and checking goods.

FIG. 22.—Analysis of Position—Stock Girl

ANALYSIS OF POSITION

Department (Notions)

Position (Saleswoman)

I. General qualities:

- (a) Willingness to work.
- (b) Good sense. Expression of interest in eyes and face.
- (c) Honest. Frank appearance.
- (d) Good physique.
 - 1. Medium height and weight, ranging to slight rather than large.
 - 2. Need not be particularly strong, but should be active.
 - 3. Sound feet.
 - 4. Good eyesight and hearing.
 - 5. Healthy appearance.
- (e) Punctual.
- (f) Obedient. Quick to grasp and act on suggestions.
- (g) Alert.
- (h) Patient.
- (i) Cheerful.
- (j) Ambitious.
- (k) Tactful.
- (l) Pleasing personality.
- (m) Courteous.
- (n) Taste in choice and use of goods of notions class.
- (o) At least 16 years of age, preferably between 18 and 25; not over 40.

II. Duties of position.

- (a) To keep sales stock in good order and attractive in appearance, to replenish from reserve stock, and to report when total stock is falling low so that the store may not be out of stock entirely
- (b) To make sales to customers
This involves a knowledge of the goods and their adaptability to individuals, and a knowledge of salesmanship.
- (c) To co-operate with other departments by means of suggestive salesmanship.
- (d) To make out sales slips properly when sales are made, write legibly, spell correctly, and compute accurately.

FIG. 23.—Analysis of Position—Saleswoman

factory, reference may be made to the analysis, and the exact details in which she is erring pointed out. Having an impersonal standard like that provided in the analysis, she will try to improve by thinking out what she should do instead of imitating thoughtlessly what others do.

As suggested above, practically every position in a store should be analyzed and the analysis in each case reduced to writing so as to be available for the use of employer and employee alike. The responsibility for making these analyses should rest temporarily with the employment manager or the superintendent of employees, if there is such an official. However, his work should be very largely that of organization and planning. The real content of every analysis should come from the persons most closely associated with and interested in the department, in the case of salespeople from the buyer, the salespeople, and floor managers. The result in each case would therefore be a composite product of the best thinking of all having knowledge of the work.

SOURCES OF APPLICANTS

Where shall the applicants for open positions be secured? The following are the common methods employed to secure help in retail stores:

1. Selecting from among those who come to the store in search of employment.
2. Selecting from among acquaintances, or from those recommended by friends of the store. Some stores have found it desirable to seek the help of their customers in getting desirable applicants for open positions. There are limits to the efficacy of this plan, however.
3. Selecting from applicants secured by advertising in the local papers.

4. Securing high-grade employees by advertising in the trade press.

5. Getting the help of elementary and high school teachers and principals in selecting desirable young people about to leave school. This method offers large possibilities, as the movement for vocational guidance spreads through the school systems of the country. Employers should give this source of help closer attention than has been given in the past.

6. Taking the store employees away from other stores by offering higher salaries or other inducements. This method may be generally condemned if used to a considerable extent.

7. Keeping track of experienced and desirable salespeople as they leave the store to go into other occupations, in order to get them back in case the new venture proves unsatisfactory to the employee.

8. Saleswomen who leave the store to marry and settle down in the vicinity often are willing and glad to work in the store after marriage if given the opportunity to work for shorter hours per day. Every large store needs a group of salespeople who may be sent to the busiest parts of the store during the busiest hours of the day. During the hours when business is slack, these salespeople cannot be so valuably employed. This group of salespeople are usually called the "contingent group," or "flying squadron."

One large eastern store has been very successful in getting the help of its former saleswomen, now married, to come to the store during rush season days, from the hours of 11:00 A. M. to 4:00 P. M. The shortness of the day permits the contingent saleswoman to complete her housework at home, perform the work in the store at the time that it is needed most, and then get home in time to

prepare dinner for her husband. The salary received, generally a dollar a day, proves very acceptable to the employee, and the store is enabled to fill its gaps during the busiest hours with fresh but experienced salespeople.

Only a few supplementary comments need be made concerning the methods of getting applicants for positions. Other things being equal, the applicant with some experience is more valuable than the one without any. A few firms prefer young people of no experience to those with some experience, but in spite of the assertion made that so much of what is learned in other stores must be unlearned in the particular store with this policy, there is abundant cause for following the principle in most cases.

The applicant who is already employed elsewhere is usually more desirable than the one who is without work. This is, however, so superficial that each case needs investigation to determine, on the one hand, why the applicant wishes to leave his present employer, and, on the other, why the unemployed applicant is not now at work.

Every desirable applicant should be invited to fill out an application blank whether there is an opening available or not. Such applications may later serve as a valuable source of getting help when it is needed.

The want ad can be made more efficient than it usually is by stating in more detail just what work the employee will be expected to do. The average advertisement is indefinite. In consequence persons apply and take up the time of the employment department, persons who realize as soon as the work is outlined to them that they are unsuited for it. The specific advertisement would bring people who would have the idea that they could successfully do the kind of work described. This faith in one's ability to do the work outlined, if the work is

fully understood, is a strong point in favor of the applicant.

The trade papers are now generally used by stores when in need of buyers, floor managers, advertising men, display men, and the like. Only occasionally does one see a want ad in a trade paper for good salespeople. More frequently one sees advertisements of salespeople seeking positions. These advertisements are worthy of attention. The fact that a salesman or saleswoman advertises for a position through a trade paper may be considered as evidence that the advertiser is familiar with the trade paper and probably reads it. The salesperson who reads the trade papers, if he possesses ordinary good qualities in other respects, is quite sure to be a real live wire and a valuable person to have in the store. It is suggested that retailers could profitably employ advertising in trade papers to a much greater extent than in the past to secure expert salespeople as well as other high grades of store help. Those who reply to the advertisements may be presumed to be the more wide awake and intelligent kind of individuals.

THE EMPLOYMENT SYSTEM

In the employment of store employees, the so called "hire-and-fire system" has been altogether too frequently the common method of procedure. That this method is wrong and uneconomical in the long run everybody admits. Applicants are accepted without enough care and are likewise dismissed in the same careless fashion. Unfit persons are blindly taken into the organization, only to be turned out after a period of waste and ineffectiveness, a loss to both employer and employee. Incidentally, under careless management, the store dismisses many employees with potential abilities of great value to the

store, but probably wholly undiscovered because of the superficial study made of each employee.

Before finally employing any store employee for a permanent position, each person should be required to undergo the following routine:

1. Come to the employment manager for a personal interview at least once, and, if possible, more than once.
2. Fill out an application blank in own handwriting.
3. Take a physical examination as prescribed by the store.
4. Enter employment for a temporary period of tryout and education.

THE APPLICATION BLANK

The application blank to be filled out by the applicant for a position should cover the points shown in Figure 24.

The applicant should be asked to fill out the form in the presence of the employer, ostensibly so as to give the latter a chance to explain and assist in case any of the questions are not clear. Really, however, the way an applicant proceeds with such a set of questions as these will, ordinarily, give the employer much valuable information as to the character and personality of the applicant. During the time that the answers are being written in, the employer can note how the applicant is dressed, and such details as cleanliness, neatness, care of person, and so on. Many other idiosyncrasies, if they exist, are likely to appear here, hence the suggestion that the writing be done in the presence of the employer.

Upon first thought it may seem that the application form given above includes too many questions. Certainly it contains many more than the usual form used in most stores. But in its brevity lies the weakness of the average form or blank. This form when properly filled out

APPLICATION FOR POSITION

Name
 Address Street City Telephone
 Nationality Religion
 Date of birth Height Weight
 If under 21 give address of parents or guardian
 Single or married
 How many, and who, are dependent upon you for support?
 Ever employed in this store? What department?
 Position wanted? Temporarily or permanently?
 When do you wish to begin? Salary expected?
 Names of relatives employed in store?
 Positions held by each?
 Whom shall we notify in case of emergency?
 Address?
 Experience. Give names of all places at which you have been employed.

Employer	Position held	Give exact dates of employment	Salary	Reason for leaving

Lines of merchandise understood?

What lines of merchandise would you like to work with and why?

What foreign languages do you speak or understand?

How much of last year were you ill?

What was the nature of illness?

What position do you now hold?

Why do you wish to leave?

Education

Schools attended	Time spent in attendance	Work taken

What studies have you taken, if any, which will help you in the position you are applying for?

State how each will help you.

In school what studies did you like best?

What studies least?

What books have you read during the last six months?

What papers or periodicals do you read regularly?

FIG. 24.—Application Form

gives as complete a history of the applicant as any form so far used. It reveals the fitness or unfitness of an employee for a certain position to a very considerable extent.

The names of previous employers should be used as references, and, even where an applicant seems entirely satisfactory, the employer should get the judgment of previous employers, not necessarily before employing the applicant, but so as to have as complete a history as possible. Employers as a class know far too little of their employees both for the good of the business and for that of the employees. If the judgment of former employers is against an applicant in any particular, the employer needs to know that, not in order to dismiss the applicant from consideration, but in order to guard against the same weakness developing again. Thus an employee, good in other respects, is gained for the business, and the employee is helped by being given work to do that will not tax the weak characteristics.

The business of the superintendent of employees is to make efficient men and women. The business of the employment department is to find the best people available and to present complete facts in each case that may be used as a basis for the educational work to follow. The good qualities of an employee should be fully utilized, and the weak characteristics should be eliminated or be replaced by stronger ones.

In addition to the facts written down on the application form by the applicant, the employment manager should add in an appropriate space on the blank, not indicated by the heading, his own personal judgment based on his first impression of the applicant. First impressions are generally intuitive and must be considered of value, although not of enough value to furnish a full basis for such a

matter as the employment of an individual. The first impression is valuable merely as one factor among several.

As the replies to inquiries sent out to references come in, these should be attached to the application form, and the whole matter enclosed in a folder and placed in the employment department's files. In case the applicant is given a position further information concerning his or her progress should be added from time to time showing progress made in important particulars. Thus the file can become in time a complete confidential history of every employee in the house, an invaluable record not only for the superintendent of employees but also for the general executive of the store.

PHYSICAL EXAMINATION

When an applicant for a position has satisfied the employment manager in the personal interviews and by the facts presented in the application form, and it seems likely that a place can be made for the applicant, he or she should be asked to take a physical examination, either conducted under the direction of the store by the store physician, or by some physician approved by the store. The points to be covered by this examination will be enumerated in the chapter on welfare work.

Physical requirements of positions about retail stores are too frequently overlooked. It is obvious that the color blind salesman should not be put in the silks or dress goods sections, but it is not generally observed that short men, men of rather slight build, make better shoe salesmen as a rule than either very tall or very heavy men. The work in bending in fitting shoes is enormous on a busy day. Six inches of additional height or twenty-five pounds of additional weight, raised and lowered a couple

of hundred times a day from the bending to the upright position makes a big difference in the wear and tear on the salesman. The tall man or the fat man has to do so much extra work that he naturally grows tired more quickly and consequently loses interest and his ability to sell.

It really is remarkable that shoe dealers have not installed platforms or raised floors upon which customer's chairs could be placed and the customers seated while having their shoes tried on in the same way as shoe shining establishments now have their high chairs for customers who have their shoes blacked. Note the advantage to the bootblack who does the work. As a matter of good salesmanship, it is known that the salesman standing has a great advantage over the salesman bending over or sitting down. If the salesman could stand erect while fitting shoes, he could give both his customers and his house better service.

If it were urged that many people come into shoe stores merely to look, and that it would be difficult to prevail upon them to climb up to the raised chairs, the store could be equipped with pits for the salesmen to work in while having the chairs on the main floor as at present and on the same level as the main floor.

Short men likewise suffer when placed in positions that require considerable reaching above the head. Raising one's hands and arms above the head for a few times is considered splendid exercise for arms, chest, and lungs, but prolonged work of this kind is exceedingly fatiguing.

Where goods are piled on high shelves, the tall man or woman has the advantage.

Nearly all salesmen must stand or move about on their feet a good share of the time. Broken down arches in the feet, varicose veins, and other ailments of the feet

and limbs are causes of a great deal of suffering to salespeople, and if other occupations not requiring so much standing were to be had, the applicant would do well to select from these rather than go into a store, unless a cure of the ailment or defect should be effected.

Some sales positions require considerable strength. Frail persons should not be placed in such positions as require the handling of heavy bolts, cases, boxes, or whatever the form of goods are in. Other salesmen are so full of energy that they need a department in heavy goods to keep their energy occupied. To place a man of too much energy of the exuberant type in a department requiring extreme carefulness would be to invite disaster. Other illustrations of like nature indicative of the need of considering the physique of the salesperson or other store employee in relation to the work to be done, will occur to every person with experience in the retail business. Thus the physical examination will not only indicate the condition of health and freedom from disease, but also the physical fitness of the applicant for the retail store position.

A full, complete, physical examination as outlined above is not yet regularly applied in retail stores, but is well established in a considerable number of industries. That retail stores have not yet required complete examinations of applicants is, perhaps, not surprising, but it seems safe to assert that it must soon form a part of the work of the department dealing with employees in nearly every large retail establishment. Every argument advanced for physical examination in industrial concerns holds equally true for retail stores. When the results in efficiency in a store due to having an organization made up of individuals that are healthy, vigorous, and happy in their work because employed in positions suited to

them are fully recognized, the movement for physical examination of applicants for store positions will move forward rapidly.

Indeed, it seems quite likely that when physical examinations of applicants shall have been found profitable, it will be followed by periodical, perhaps annual, physical examinations of all employees, both new and old. Thus, not only will physical weaklings be kept out, but physical weakness will also be kept out by preventive measures. A few industrial concerns have already taken this step. More are considering it. Some retail stores now have trained nurses who give their attention to store employees who become ill or indisposed. It will not be a radical step to have the general examination for all become the rule.

TEST QUESTIONS

1. What is the object and aim of scientific employment?
2. Who should employ the help for a store?
3. What preliminary analysis should be made of the positions to be filled?
4. What preliminary analysis should be made of the qualifications required in a person for a certain position?
5. Enumerate eight definite sources of applicants.
6. Outline the various steps of a good employment system.
7. What information should be called for in the application form? How should it be used?
8. Indicate several ways in which a physical examination can assist in selecting the right person for a position in a retail store.

CHAPTER XIV

THE REMUNERATION OF SALESPeOPLE

THE PERCENTAGE OF SALES PAID TO SALESPeOPLE

The largest item of expense in practically all retail stores is the pay roll. Approximately 60 per cent of the total pay roll in large stores goes for selling the goods, that is to salespeople. To give an idea of the importance of the amount that goes for selling there follows a table, Figure 25, showing the percentage of sales expense to sales by departments, closely approximating lines of merchandise. The figures given are from large department stores and represent averages for the conditions under which these stores operate. In small towns and in smaller stores where more time must be given to each customer who enters, the percentage for salespeople must, of course, be higher. Variations in wage standards must likewise be considered in making comparisons between local stores and the figures given here. The percentage on the Pacific Coast and in some other western towns is considerably higher than in the older sections of the east.

WORKING OUT A JUST SYSTEM

A salesman's salary is theoretically and really his share in the profits of the store, the share he has himself earned for the store. Practically, salaries are determined very

Line	Sales Force Only	All Labor Di- rectly Charge- able to Depart- ment—Sales- people, Buyer, Stock Clerks, etc.
Art goods	6	8
Books	6	9
Carpets and mattings.....	3	8
China and glassware.....	4	9
Clothing (men's and boy's)....	4	8
Clothing (women's suits and coats)	3	8
Clothing (misses' suits).....	3	7½
Corsets	4	6
Dress goods	5	9
Furniture and bedding.....	3	8
Furs	3½	8
Gloves	5	7
Groceries	6	8½
Handkerchiefs	6	7
Hosiery	4	6
Infant's wear	5	7
Jewelry, silverware	5½	9
Laces and embroideries.....	6	8
Leather goods	6	8
Millinery	4	8
Muslin underwear	5	7
Neckwear	6	8½
Notions	6	8
Pictures	5	10
Ribbons	6	8
Shoes	4	8
Silks and Velvets	5	8
Toys	5	10
Trimmings	6	9
Umbrellas	6	7
Underwear (knit)	6	7
Upholstery	4	9
Waists	4	7
Wash goods	5	8
Wrappers, Kimonas	5	7

FIG. 25.—Expense for Salaries of Salespeople Expressed in Average Percentages of Sales by Merchandise Lines

largely by market conditions of the supply of salesmen and the rates at which they are willing to accept work.

The employment manager may set before himself, or may have set before him, 5 per cent of the sales as the maximum amount of the pay roll. Naturally he hires applicants for an amount per week that he believes will fall within the maximum. In some cases his judgment fails him, in other cases he succeeds, and, if fortunate throughout, probably averages at 5 per cent or less.

There is another vital point to consider, however, and that is the salesman's point of view. Whatever salary is paid should, if possible, be received with the feeling that it is a just recompense for the labor performed, and that when better labor can be given, a higher salary will be received.

This introduces a big difficulty for the employment manager. He must work not only for his firm, but also for his employees. He must attempt to be just to both. Anything short of justice to both sides is likely to cost him his position on the side of the firm, and the goodwill of the employees on their side.

The ideal method of remunerating salespeople must not only be just to the salesperson, but must be flexible enough to permit of almost immediate recognition of improvements in work done. As the employee progresses, the salary should go up, and when the employee ceases to improve, the salary should indicate the cessation of improvement by standing still likewise.

The usual methods of remunerating salespeople are either on a time basis, that is, so many dollars per week or month, or on a commission basis, a certain percentage of all sales made.

TIME RATE

Remuneration on the basis of time is by far the most common. This method has little to recommend it except its age and the fact that it is customary. In working out the time rates, the employment manager really starts with the possible sales and then takes a percentage of those sales as the salary that can be paid. If the salesperson employed is successful in selling more than anticipated, he or she is considered as entitled to an increase in salary, but in practice, this increase is too often delayed as long as possible. Consequently, it is not uncommon to find salespeople within the same or similar departments whose salaries range from 2 to 10 per cent of sales. Those who are receiving only 2 per cent are very much underpaid, while those who receive 10 per cent are getting more than they are worth.

It can be seen, however, that back of the time basis system of paying salespeople there lies a fairly definite standard of sales in proportion to salary. This suggests the question, why not remunerate salespeople out and out on the commission basis and thus accomplish directly what is now aimed at in an indirect manner?

COMMISSIONS

There is no question that the commission basis is the ideal method were it not for a number of objections that are hard to overcome in the store. In the first place, when a store drops the plan of paying its salespeople on a time basis and begins to pay them a commission on their sales, a good deal of friction arises among the employees. All become anxious to do nothing but wait on customers and so neglect the work that must be done, such as stock-room work, keeping the department in good looking

order, and so on. In some cases two or more salespeople rush for the same customer, each desiring to make the sale, thus embarrassing the customer and creating illwill in the customer's mind as well as friction among the employees. Only the more desirable goods will be pushed, unless a complex system of varying commissions is arranged to care for this problem. Nothing will be done to push out goods that are hard to sell. In fact the salespeople, in such cases as this, usually struggle for the chance to handle only the most easily sold goods. Customers are importuned to buy, and the sale rather than the service to the customer is made the central thing in the salesperson's mind.

While the commission plan seems best from a purely theoretical view, it is very difficult to arrange it so as to avoid the difficulties just named. In its pure form it seems that it can hardly be used in any but the very large or very small stores, in the one case where a salesperson has only one thing to do, as for example, to sell handkerchiefs all day long, in the other, where the salesman has everything to do and when he realizes that the selling can be done well only by having the housekeeping and other work well done.

COMBINATION OF TIME RATES AND COMMISSION

A combination of time rates and commission seems to work much better than a straight commission. A great many stores follow the old plan of giving special commission on sales made in difficult lines of goods such as unseasonable merchandise, goods that must be pushed in order to get them out of the store. Such commission usually takes the form of a premium or extra fee, and is called a "P. M." or a "spiff." The amount is usually not large, but is sufficient to tempt the salesperson to use

a little extra energy in describing it to the prospective customer.

QUOTA AND BONUS SYSTEM

A combination of the time rate and a commission, or rather a bonus computed as a commission on sales above a certain amount, set as a quota for each salesperson, is undoubtedly the best method yet proposed for remunerating salespeople. The bonus obviates the objections to the straight time rate and the tendency to limit the amount of energy given to the business. The assurance that the regular weekly salary will be received no matter what the sales are removes the objectionable feature to the commission payment plan. Salespeople will know that time expended in store duties other than selling will not count against them on pay day; hence they will not object so strongly to giving their time and thought to such work.

The bonus gives incentive, however, to get more than customary results. Since all sales beyond a certain point, the limit of the quota, earn the bonus, if there is a chance of exceeding the bonus, this chance will be grasped by many if not most salespeople. The system thus secures greater efforts from the salespeople, shows up the drones, makes the salespeople think about their work, and results in a greater volume of business handled by the same or a smaller number of salespeople.

HOW TO USE THE QUOTA AND BONUS PLAN

In establishing the quota and bonus system just described above, certain practical details need attention. In the first place the work of each selling position needs to be carefully analyzed both as to ordinary and unusual duties. (See Chapter XIV, "The Art of Employing Good

Salespeople.”) These duties should be listed and the salesperson given to understand that no bonus shall have been earned on sales made unless the work in connection with other duties is satisfactorily performed. The bonus, it should be understood, is a premium not only for sales above quoted but also for all work well done. If the stockkeeping and other duties of the store, a part of the salesperson’s duties, are not well done, the bonus is not to be given at all.

The weekly quota should not be placed too high, and should be made to vary with the season, selling conditions, amount of advertising done, and so on. It should represent a good, fair average of past accomplishments by good salespeople working under similar conditions. It should represent what the employee may fairly expect under ordinary circumstances from ordinary salespeople. Naturally it will vary with the seasons. A weekly quota of \$200 in July might well be \$400 in September, or even more.

If the quota is placed too high, it becomes difficult for the salespeople to qualify for the bonus, and, as a consequence, a number will grow discouraged and will cease trying to earn a bonus. It should be entirely possible for the salesperson to earn the bonus. If the quota is placed too low, the firm will lose the difference in sales expense between what it should be and what is actually taken.

The bonus paid for sales above the quota should be a percentage of such excess sales, but should bear a lower ratio to sales than the regular sales expense. Thus in the increase in sales above the average both employee and employer should profit. Half the customary sales percentage is taken as a fair bonus by several stores. For example, if the percentage of sales expense has been 6 per cent, the bonus should be 3 per cent for the amount

sold above the quota for the week. If it has been 5 per cent, then $2\frac{1}{2}$ per cent should be the bonus rate. There may be exceptions to the practicability of following this rule, but these may be met as they occur in the individual business.

The final result of this combined system is a reduction in selling cost to the store, but increased earnings on the part of the employees due to increased efficiency in selling. Increased efficiency, as a rule, means greater interest in the work, greater enjoyment, and less likelihood of leaving the employ of the store. The main drawback to the system is the amount of labor involved in working out the proper quotas for each position and carrying them out for the year by months or seasons. This is a lazy man's objection, since the experience of stores that have given the plan a thorough trial states that it more than pays for all the extra labor.

HELPING SALESPeOPLE To UNDERSTAND THE QUOTA AND BONUS SYSTEM

In order to succeed from the start the bonus system must be fully understood by the employees. They should have its facts clearly shown to them, its objects, its details, and its methods of operation. Their attention should be drawn to the point that the system will in no case cut down salaries, that the old salaries will prevail, but that it does present an opportunity to gain increases in salary through increased efficiency in selling. It needs to be pointed out that no bonus can be paid unless all required work in addition to selling is well done. There must be no shirking of any duty, nor taking advantage of any other salesperson.

Finally, each salesperson should have placed before him a schedule of his quotas so that what must be done

to earn a bonus can be easily determined. If the quotas are not properly computed, the salesperson should have the right of appeal to the employment manager or superintendent of employees, and as indicated in Chapter XVII of this book, there should be some final board to determine uncertain and unsettled cases in as equitable a manner as possible. But, where possible, the employment manager should have his reasons for each quota so well established that he can satisfy not only questioning employees, but also the managers or owners of the concern.

In connection with the bonus system there should always be an educational system that will show employees, who are not able to help themselves, how to earn the bonus. The educational work needed in this system will be fully described in the next chapter.

MISCELLANEOUS FORMS OF REMUNERATION

There are many other ways of remunerating salespeople besides those described above. For example, the opportunity to buy merchandise from the store at a discount, a privilege almost universally given employees, is a form of salary to the extent that goods are purchased and discounts received. In many small stores it is customary for the employer to make gifts to the employees at Christmas and even at other times, sometimes in cash, sometimes in merchandise of an appropriate nature. A successful merchant in a small town having about thirty employees and paying them on a time basis, puts extra coins in the pay envelope of employees that have distinguished themselves in any way during the week by special service for the store. The amounts are frequently a 25 cents, 50 cents, or a dollar, not very much, to be sure, but coming as a sign of the

employer's appreciation, it brings a strong response of good will from the employees.

Welfare provisions, which will be described later on, must be considered from one standpoint as part of the salespeople's remuneration. Life insurance, pensions, physical examinations, medical treatment, etc., when paid for by the store are clearly salary features and are so considered by most salespeople. I have many times heard salespeople say that of certain concerns having well-developed welfare departments that they could get higher salaries in other concerns, but that the welfare provisions more than evened up the difference. It is not only the direct salary that counts, then, with the employees, but also the conditions offered surrounding the work.

PROFIT-SHARING PLANS

The bonus system described above works splendidly for the salespeople, but does not offer any opportunity to the 40 per cent of store workers who do not sell goods. For these there should also be an opportunity to gain better rewards for performing better than average services. Profit sharing offers the best proposed plan to reach these workers. In fact, some stores find some form of profit sharing best for all, including salespeople. There is strong argument in favor of it.

Profit sharing is carried on in several different ways, the commonest being as follows:

1. Of the net profits for the year after all expenses and salaries of employees and of management are paid, and after all replacements and reserves are provided for, the share to go to capital is first taken out, say 6 or 10 per cent of the capital invested. Whatever remains is distributed among the employees.

2. Of the net profits for the year division is made into three equal parts, one to go to capital, the second to the management, and the third to labor, or to the employees. Since the management's share is accounted for under the first method in the form of salaries, the main differences between the two methods is that in the first a limited percentage is taken for the share of the firm's capital, while in the second, capital and labor share alike.

3. Of the total net profits of the concern for the year the management merely sets aside an arbitrary amount to be distributed among the employees.

Under the first two methods, justice demands that the workers should know just what the financial status of the concern is at least once a year. Under the third method, the division is wholly in the hands of the managers. They assume the responsibility on any given year of judging what shall be distributed.

The best method of distribution of profits to employees seems to be on the basis of salary received. Thus an employee getting \$20 a week will receive twice as much in the distribution of the profits as one getting \$10. Assuming that the salaries are justly rated, this method of distribution is the most fair to all concerned.

The distribution on the basis of salaries received rather than on sales made or some other base makes it possible to reward every employee in the house. The only objection to this being that the drones get it just the same as the liveliest workers.

Profit sharing, as outlined above, requires team work and the coöperation of the employees. It tends to draw the employees closely to the store, and those directly concerned in the success of the business.

To serve most successfully, the distribution of profits

should be made every six months, if possible. A year between distributions is too long to wait. Salespeople have short memories and are very ready to discount the future when under temptation to shirk or let work slip by. If the distribution is made every six months, the amount will not be as large, of course, as at the end of a year, but should be large enough, if the business is successful, to make the amount seem worth while working for even by the lowest paid employees.

Some writers and thinkers on the subject of profit sharing urge that it is wrong in theory since it is one-sided. It should provide, so they claim, for the sharing of losses as well as profits. Profit sharing to them means sharing the fortunes of the business whether they be good or bad. This view may be correct in theory but is wholly unpracticable; hence, according to their definition of profit sharing, profit sharing can never be realized. It can hardly be expected that laborers such as salespeople or other employees in retail stores can ever be expected to have business losses made up by reductions of salaries or from their pockets. Not only could they not meet such demands, but the need for labor is so universal that they wouldn't have to, since other employers would buy their services at regular rates at any time that any concern should attempt to reduce wages below this point in order to make up losses in the business.

PURPOSES OF PROFIT SHARING

The main purpose, the point overlooked by the critics, of profit sharing is to serve as a device to get the employees to take a keen, active interest in the concern. It is in fact, a premium paid for extra services, for a stronger loyalty, for more constructive thinking for the concern.

To offer the employee a share of the profits of the concern is an easy, concrete proposition that stirs the mind of the employee to think for the same thing as the employer thinks—profits. What the employee finally gets is just plain remuneration for his extra work of either mental or physical character; the amount of the remuneration depending upon the success of the concern, the share the employer agrees to give, and the method of distribution among the various employees.

The proposal to share profits at the end of six months or a year leaves an indefinite idea in the mind of the employer as to the amount to be shared. The employer may make the most of this indefiniteness by showing that the success of the concern will depend entirely upon how well the employees do their work, in other words, that the share of profits will depend upon the industry and resourcefulness of the employees themselves. This, for some employees, is the best sort of incentive possible. Hence, whether the profit sharing proposed here is really profit sharing or not from a theoretical standpoint is not so important as the fact that the method proposed here does 'promote the interests of the firm.

Thus it is evident that the efficiency of a store can be promoted or retarded to a considerable degree by means of the system of remuneration which is used. The employee's self-interest which centers in the wage must be recognized. Certain principles of management are clearly established. Promotion in rank and advances in wages must be based on merit. If possible, there should be a direct causal connection between what the employee does and his wage. This relation can be established by means of some kind of commission, bonus, or profit-sharing plan. The more definite this plan and the more immediate the reward, the more effective is the system.

Merit, stimulation, and direct reward are powerful factors in an effective system of remuneration for store employees. The exact methods for utilizing these forces vary with conditions, but the principles are permanent, because they are founded on certain tendencies in human nature itself.

TEST QUESTIONS

1. About what fraction of retail store expenses does the payroll represent?
2. Outline the usual basis for remunerating store salespeople.
3. What are the chief objections to time-rate compensation? How does it affect costs?
4. What are the objections to a straight commission basis?
5. What is meant by "spiff"? Illustrate.
6. Explain the fundamental principles of a quota and bonus system.
7. How is the quota determined?
8. What are the three most commonly used plans of profit sharing?
9. What motive or purpose should dominate a profit-sharing plan?
10. Give some miscellaneous forms of extra compensation that are used for remunerating store salespeople.

CHAPTER XV

EDUCATION FOR SALESPeOPLE

APPRENTICESHIPS IN THE PAST

Fifty years ago and before, there was but one way to become a retail store worker, and that was through apprenticeship. An agreement had to be made with some merchant before a boy could enter a store, the terms often being that the boy was to give his time and service for a period varying in different communities from three to five and even seven years, during which he was to receive but little or no salary. In fact, in some cases the merchant was paid a good sum for taking a youth as an apprentice. In return the merchant bound himself by the contract to give the boy general experience in all departments of storekeeping and to teach him as much as possible about the business.

As a consequence of the apprenticeship plan, when properly carried out, the boy who had spent three to seven years with a good merchant graduated at the end of the period with a very fair, practical knowledge of the retail business and was quite ready to perform the duties of a retail salesman in a satisfactory way both to the employer and the store's customers.

Whatever else may be said either for or against it, as applicable to stores of the present time, it must be admitted that the apprenticeship system served its pur-

pose remarkably well in its time. Through this system of training all merchants had come, and as a result the retailers and retail salespeople as a class possessed a good knowledge of the principles of the business as it was then conducted.

For one reason or another the apprenticeship system in retail stores broke down in this country about the time of the American Civil War. The west opened up rapidly. Margins for dealers were large. The population of the country increased at an enormous rate. More retail dealers and retail salespeople were needed than the old apprenticeship system could supply. Consequently men without experience or knowledge of retailing began to come into the business and, since the competition was not so keen as in the old and well-settled areas, some were able to show splendid success. Young women were employed to take the places for which young men could not be found, and their services were found very satisfactory, not only because of the quality of their work, but also because they were ready to accept very much lower salaries. Thus with the breakdown of the apprenticeship system, female salespeople began to be employed in retail stores in large numbers, particularly in the larger cities.

At the present time there is probably not a single store in the country that has any form of the old apprenticeship system still in use. In fact, it would, probably, not prove entirely satisfactory, unless considerably modified, even if it were possible to return to it. The apprenticeship system, pure and simple, was an effective method of education at the time when retailing was far more simple than it is to-day, when sources of supply were few, and when demands of customers were limited within

narrow bounds as to kinds, qualities, and quantities of merchandise.

PERSONAL INSTRUCTION

All this is changed to-day. As a result, the person who would understand the retail business now must no longer depend upon his experience and observation within some store alone. Experience continues to be an invaluable factor, but it is now only *one* factor in the complete education of a retailer. He who wants to know the retail business thoroughly to-day must be a good deal of a student. He must not only observe and gain by practice, but he must also inquire of others, read widely in the literature of his trade, and think.

A complete education for retailing to-day must include intensive study of the experience of others as formulated and set down in print in trade papers and textbooks. The route to success to-day is not through experience alone, but through experience and schooling.

In Europe the apprenticeship method of training for the retail business still prevails, but it has been modified considerably in certain countries by the introduction of various educational helps, such as night commercial schools, day classes, and part time vocational schools. These educational courses are as a rule pursued during the period of apprenticeship and are now considered a part of it. We may learn much of value from the methods followed in these older countries.

It is noteworthy that a very large number of the most successful merchants of to-day began their careers when boys as apprentices in retail stores. Many, indeed, served their apprenticeships in Europe. To their apprentice training these men added study and thought on their own accord and thus rounded out their retailing education.

It may not be too much to say that, while the apprenticeship training no longer prevails in this country, efficient present-day American storekeeping had its foundations in the apprenticeships either of the past in this country or of some other land.

Retailing of to-day is making no definite provision for the education of retailers and of retail salespeople of to-morrow. A little has been done here and there, but the problem so far as the masses of retail employees is concerned is still untouched.

Something of the method of the apprenticeship still prevails in some stores, in that new employees are given considerable instruction by their superiors. This instruction is, without doubt, the best, so far as it goes, that can be had. This is the only form of education now offered by the great majority of stores. The weakness of present day instruction of this kind is that there is too little of it and that it is often very poorly presented. Store managers and heads of departments are busy people. Lacking the obligations prescribed in the old apprentice contracts or indentures, they confine the instruction largely to the most necessary matters, rarely going into detail or explaining the underlying theory or principle.

Some managers must be credited with a desire to help their employees to develop, but they seem to lack the ability to teach others. Lucky is the boy or girl store employee who happens to come under the direction of a manager who not only is willing to give time to educate his assistants but who also has the teaching ability. No matter what other forms of education are to be considered in training employees, the importance of the educational work of the manager or department head should not be underrated. What is needed is that more definite

responsibility should be placed upon this official for educational results and that he should be chosen for his position not only for his special knowledge and ability as a merchandiser, but also for his power to impart that knowledge and ability to others.

The personal instruction of the manager or department head, instead of being the only source of instruction, should be the finishing course for the employee.

TECHNICAL CLASS INSTRUCTION IN RETAILING

A few beginnings have been made towards the development of a more complete education for retail employees. Aside from personal and individual assistance, these beginnings have nearly always taken the form of a school or class. Thus, several large stores all over the country have found it profitable to give the most elementary instruction concerning store system, proper dress, correct stockkeeping, the handling of sales slips, and routine of selling merchandise by the class method. New employees are brought together in a group and shown how to perform the work required of them and then are required to "recite" what has been taught them by making out the sales slips before the instructor.

Usually this elementary instruction covers a period of from one to two days. If the employee does not comprehend the system at the end of two days' instruction, he or she is usually dismissed. In all stores the expense of the instructor is borne by the store. In some stores the prospective employees who attend as students are paid for the time in attendance, while in other stores they are not. In still other cases, where a two-day course of instruction is given, the store pays the wages of one day and the employee contributes his time for the other day.

SUBJECTS TO BE TAUGHT SALESPEOPLE

A few stores have carried the elementary instruction of their employees farther by requiring those who are deficient in the common branches to attend classes at certain hours per week for a period of a few months in penmanship, spelling, arithmetic, and language. Ordinary public school textbooks as a rule do not present matter of specific help to the youth who is to go into a retail store.

Frequently the boy or girl on coming into the store seems to be at a loss when called upon to perform actual business operations in arithmetic, even though they be very simple. A good review of the subject with examples used such as occur in the practice of the store has been found very advantageous to both store and employee.

In the same manner, the new employees are taught to spell correctly the names of all merchandise in the store, the names of the streets in the town, and other commonly used words, to write legibly, to punctuate correctly, and to speak grammatically. In some cases instruction is given in writing simple business letters.

A still smaller number have begun to give special attention to the training of their employees in such important matters as salesmanship, merchandise, hygiene, and other subjects tending to develop personal selling efficiency. Though probably less than a hundred stores are at present time actually giving their employees instruction along these lines in a thorough fashion, many other hundreds are considering the advisability and the possible methods of starting such educational courses. The future will certainly see a very great development along these lines, for it is through education of this kind that substantial progress can be made in efficient retailing. Experience plus instruction properly combined spell success in retailing as in any other line of human work.

It is now fairly well established in the minds of people who have given the matter consideration that present day retailing demands of its workers a special knowledge of the merchandise that is to be handled and sold, a special knowledge of human nature and the methods of sales-making, and a special knowledge of the retail store as an organization of coöperating individuals, securing its results largely through well-ordered team work.

KNOWLEDGE OF THE GOODS

Knowledge of the merchandise such as required of the retail salesman includes every fact of interest to customers, such as uses of each article, purposes for which it is best suited, best methods of using, together with its qualities of producing satisfaction, durability, beauty, style, comfort, safety, purity, etc. Obviously, the salesman must be able to explain the qualities of his goods by reference to their structure, the materials used in the making, methods of making, the makers and their reputation, and the advantages and disadvantages of his own goods compared with the goods of other makers. If the qualities of the merchandise can be demonstrated by tests of any kind, the salesman should be an expert in applying them. As the final representative of the system of production to the consumer, the retail salesman should know every step taken in making the merchandise and should be able to explain the significance of each process to the consumer. In short, the salesman's knowledge should cover everything about the goods he sells from earliest beginnings in structure to final use. Anything short of this is a fundamental cause of poor sales service and unsatisfactory retailing from the standpoint of the public as much as from the standpoint of retailers themselves.

Obviously, education of some kind is necessary if retail

salespeople are to acquire such comprehensive knowledge of the goods they are to sell. Experience with the goods may bring some facts to the mind of the salesperson, but nothing short of definite instruction will provide the larger part of the information needed. That the majority of salespeople nowadays do not possess this knowledge should not be taken as proof that they do not need it. The greatest weakness in retailing to-day is the ignorance of the salesperson behind the counter.

KNOWLEDGE OF HUMAN NATURE AND SALESMANSHIP

Knowledge of human nature and of sales methods is also to be gained by instruction. A few fundamental, elementary facts of psychology should be taught in application to the selling of particular lines of merchandise. Among these facts there might be found the following:

1. Sales are made only to persons who *desire* or *want* goods.

2. Desire for an article depends upon the presence of favorable ideas about that article in the customer's mind.

3. The ideas are acquired through the customer's senses, his sight, hearing, smell, taste, and touch, in conjunction with his recollections of past experiences with similar goods.

4. Through the presence of ideas favorable to an article, a feeling of desire for it is aroused, which when strong enough causes the customer to decide to buy.

5. Salesmanship is nothing more nor less than presenting ideas to the customer's mind in the order and manner that are most likely to gain for them a favorable feeling. Thus, the salesperson who applies his psychology must become a conscious student of his customer's point of view. He presents the facts about the merchandise that he thinks will interest his customer, he

watches his customer for any expression indicating the probable progress the ideas presented are making in his customer's mind, and, if on the right track, pushes the sale to a close; while if the ideas presented prove unfavorable, he draws on his resources of knowledge about the goods for other lines of argument and tries again.

STEPS IN THE SALE

Salespersons should recognize distinctly that every sale contains certain definite elements which may be classified as:

1. The approach.
2. The demonstration.
3. The order.

Some suggestions can be given for all three of these steps though, of course, perfection in their application is an art which is acquired only as the result of much study and practice. Every salesperson should feel that the first step in the sale consists in gaining the favorable attention of the customer. Simple instructions can be given regarding the manner of approach, both in action and in word. The manner should not be too eager nor too insistent, rather of expectation and readiness to serve. The habit of looking pleasant and of reflecting a feeling of welcome can be acquired. A pleasant tone of voice, one that rings sincere and inspires confidence, can be cultivated. Some thought may well be given to the phraseology of opening sentences. One will readily note the difference when accompanied by proper intonation of the voice of the following introductions: "Anything to-day?" and "May I be of service to you?"

The salesperson should be keenly alert during the approach to size up the customer. He can be instructed to look for certain points that will aid in making the sale.

If the customer is wealthy or distinctively dressed, the salesperson will emphasize style, quality, and similar elements of salability; if economical, price and durability may be featured. If the person is evidently in a hurry, avoid long explanation. These are but a few suggestions as to what to look for at the very beginning.

During the demonstration the salesperson should again have a clear conception of effective sales methods. Do not waste much time asking questions. Start to show something. Generally, the best results are obtained when goods are shown first at about the price the person wishes to pay, or can pay. A good salesperson may often work up to better quality from that point without giving the initial price shock that would follow if the higher priced goods were shown first. If the customer makes no definite request, the salesperson must exercise judgment as to where to begin and then work up or down.

All goods should be presented in the best possible manner. Some need to be placed on the person or in her hands as soon as possible. Others may be demonstrated or explained first so as to bring out and emphasize distinctive qualities. The use of positive phrases will aid greatly during the steps of the sale. "This cloth is fast color" is better than "This cloth will not fade," or "This cloth is not supposed to fade." The habitual and intelligent use of positive suggestion is a powerful sales device. Throughout the demonstration the salesperson should skillfully arouse desire in the mind of the buyer.

Finally, the salespersons should be instructed in some effective methods of closing. They should be stimulated to think along that line. It is often necessary to aid the purchaser to come to a decision. The salesperson can perform a real service by helping buyers to plan their purchases and finally come to a decision. Generally, when

a customer has come to a decision, no more goods should be shown. The skillful elimination of certain pieces that were brought out tends to focus attention on fewer pieces and makes a decision easier. Closing phrases should be studied: "We usually sell so many yards of this goods for such a garment," is better for prompting a decision than "Will you take this?" The former does not invite a negative answer. "Take this, and if you don't like it bring it back" may be used as a final appeal. All such phrases should be reinforced with appropriate action on the part of the salesperson.

Courtesy after the sale is as important as before the sale because of the goodwill which it creates. Remember that profits come from satisfied customers who come back and who talk well of the store. Thoughtful attention along the lines here suggested is a part of good store management.

A knowledge of practical sociology is likewise important to the salesperson and may be most effectively used when definitely taught to salespeople. For example, fashion in all its phases is a social matter and can be explained only by sociology. The effects upon desire for and use of merchandise due to religion, politics, nationality, social connections, recreation, family relationships, and differences in age and occupation are generally understood but far from fully analyzed for purposes of scientific retail selling.

What is here offered is merely suggestive and by no means exhausts the main subjects of study of the field in which the retail salesperson works. With a practical knowledge of even the elements of psychology and sociology, coupled with a knowledge of the merchandise, the salesman will be in a position to render services to his customers of a professional grade, and fully as important

and valuable as the services of the teacher, the lawyer, or the doctor.

COÖPERATION BETWEEN STORES AND PUBLIC SCHOOLS

As already indicated, a few beginnings have been made in teaching salesmanship and allied subjects to retail store employees. In most cases, classes have been formed within stores under the direction of the stores, and the instruction given by employees of the stores. There are also beginnings of a different character. Possibly a dozen high schools throughout the country have established courses in salesmanship offered usually as electives, to which certain students are admitted upon their own request and under certain conditions. The public night school systems in a few cities offer special courses for retail salespeople. Here and there a business college has added a course on selling. A limited number of universities offer general courses in salesmanship which might be considered as having something in them of value to retail selling, and in the extension work of a few middle west universities, specific courses on retail selling are provided either by the correspondence study or by the class method, the instruction in the latter case being supplied by itinerant university extension teachers, who spend a day per week, or every two weeks, in each town containing a class, the class meeting usually being held in the evening.

Beginnings in education for retailing have thus been made both in stores and in educational institutions. Up to this time, no attempt has been made to mark the possible limits of efficiency of either type. As a matter of fact neither has progressed far, although both have laid claim to the whole field.

It seems likely that, ere long, the particular merits of

instruction of both types will be recognized and that this recognition will be followed by a division of the labor. As a matter of fact, certain kinds of instruction can be much more effectively and economically administered by schools than by stores, while other kinds of instruction must be given in the stores. It is folly for either to attempt to supply all the retail employee needs. The system of education for retailing in the future will include both store and school, each doing for the learner that which it is best fitted to do.

For example, instruction concerning merchandise in a general way, its sources, methods of production, and general qualities may best be learned in a class at school, but the knowledge required about a particular pair of hose, a particular hammer, or a particular coat needs to be gained in the store through the store's educational methods to be described later on.

EDUCATION THE SCHOOLS CAN BEST GIVE

Knowledge about psychology and sociology, even of the most practical type, can be best taught in schools when teachers who know how to teach these subjects shall have been procured, but the study of individual customers must go on unceasingly in the stores.

If all stores were similarly organized, store system might well be taught in school, but, unfortunately, store systems differ widely. Only the general outlines can be presented in school; particular stores will demand particular explanation of their systems to new employees.

The store has a right to expect of the schools young people who know how to read, write, and spell, and who can perform the ordinary computations of business arithmetic without difficulty. That some stores now hold classes in these subjects is a grave reflection upon the

weakness of the school systems, a weakness that can and should be remedied.

The store will expect that its school trained employees in the future shall have a good general knowledge of commercial geography, of the origins and general outlines of the production of the principal lines of good merchandise needed to supply the human wants—food, clothing, and shelter—and a more specific and thorough knowledge of at least one line as comprehended under such a general heading as textiles, groceries, paints and varnishes, furs, jewelry, house furnishings, furniture, etc.

It will expect that the graduate of the retailing courses in schools will know that goods must be demonstrated in order that they may be sold, that the manner in which the demonstration is made is almost as important as the merchandise itself, and that he must strive continually to get the customer's point of view, that he must meet the customer from that point of view.

EDUCATION THE STORES CAN BEST HANDLE

The store's educational system will seek to provide the employee with an intimate knowledge of its store system, with specific knowledge about particular merchandise, and with seasonable educational helps intended to keep the employee up-to-date and progressive in his methods.

The class and study method is preëminently the method for the school. It is always difficult to run classes in a store. Working time is consumed and routine work disarranged. In the future, as education for retailing develops within schools, and as stores will come more and more to depend upon school for trained help, the store class plan is likely to be used less and less. Meetings of salespeople will be held, perhaps more frequently than at present, but these will be for purposes of con-

ference rather than for study. Lectures will be given to salespeople in groups. General instructions will be given out in such meetings, perhaps, but the continuously meeting store class will be found unnecessary.

STORE STUDIES

Store educational methods that are likely to be used extensively in the future and which might profitably be more widely used at present include:

1. Encouraging employees to read the trade literature, technical books, and trade papers.
2. Encouraging employees to study the literature issued by an increasing number of manufacturers on what the salesman should know about the goods and the methods of selling them.
3. Encouraging employees to attend public night schools.
4. Encouraging or aiding employees to subscribe for correspondence courses specifically intended for store employees.
5. Providing for educational trips of groups of store employees to factories, to wholesale houses, or other sources of supply, and through retail stores.
6. Announcing information to employees by means of bulletin boards.
7. Publishing a house organ or employee's periodical.
8. Issuing efficiency bulletins dealing with specific problems and methods of meeting them.
9. Keeping records of errors of employees and using "blunder slips."
10. Keeping efficiency records of employees and working with them to raise the efficiency.
11. Department conferences between department managers and their assistants.

The trade paper is, or should be, to the retail salesman what the professional journals are to the physician or attorney, a constant source of information and the only means of keeping up to the minute on the progress of the merchandise world. The quality of both books and papers dealing with retailing is constantly improving. A retail salesman can no longer excuse himself from reading this material on the ground that it contains nothing worth while. Every retail salesman should religiously read at least one good trade paper regularly, and the time will come when the salesman who has never read a book on business or selling will find himself as lonesome as the last individual of a lost race.

A few manufacturers have begun to issue sales manuals, correspondence courses, and other material of high grade and of splendid value to the salesman who happens to sell the manufacturers' goods. The number of manufacturers getting out such material is increasing, and this is a form of coöperation that should not be overlooked. The author has found in his own experience that it is well worth while to write to manufacturers of almost every kind of goods for sales information concerning their goods. The information, as a rule, is not only cheerfully given but is exceedingly appropriate and practical. The manufacturer realizes that his goods need good sales presentation in order to succeed in the markets, and is, therefore, willing to help salespeople who want to help themselves to a better sales ability.

Good judgment should be used in deciding how far salespersons should be encouraged to take night school work or correspondence courses. Within reason when a strong, healthy, bright salesman or salesgirl is concerned, some encouragement should be extended. Such a course is often the beginning point in making a successful busi-

ness career. The employee who takes and finishes such outside courses while doing his regular daily work has given evidence of possessing grit and ambition. Such a person may often be entrusted with larger responsibilities in the business.

EDUCATIONAL TRIPS

To gain a knowledge of how things are made a trip to the factory, noting every process from raw material to finished product, is the best plan. To one who has never seen the inside of a factory it is very difficult, if not impossible, to realize or understand even the most clearly written account of how a thing is made. The visit to any kind of factory is better than none at all, even if the lines manufactured are not those sold in the store by the salesman. One may at least gain an idea of the division of the plan that must precede all production and of the care that must be exercised to get out standard products.

In textiles many of the processes of manufacture are very similar for the various fibers. Though differing in detail, spinning and weaving is the same in principle, and the principle of the loom can well be obtained by watching the weaving of a rag carpet if no other type of textile mill is at hand.

In taking a group of salespeople through a factory, considerable precaution should be taken to warn them of danger from coming too near moving machinery. The group should be kept small enough so as to make it possible for the leader to talk to and be understood by all even when surrounded by whizzing machines. Probably ten persons is as many as can be taken through any factory advantageously by one guide or leader. Each salesman should have a notebook and pencil when taking such a trip and should jot down the names of the processes

when seen, the names of machines if of any importance, and such other facts as may be given on the trip.

Visits to sources of supply can be made immensely valuable to salespeople if their attention is called to the points about merchandise and the ways of handling it that should be observed. There is far too little opportunity given to salespeople to avail themselves of this method of education.

Another form of educational trip is to visit other retail stores to note what goods they have on display, how they display them, and how they sell them. Still another form of trip of value, particularly in large stores, is the trip through one's own store to see where merchandise is located, how it is displayed, to note its quality and quantity so that suggestions can be made to customers, and, incidentally, to increase the sales of the store to its own employees.

THE USE OF BULLETIN BOARDS

The bulletin board is now in common use in most stores, particularly as a means of making announcements; but it also has educational possibilities. Some concerns have found it profitable to post samples of merchandise and of raw materials, together with a brief typewritten story about the merchandise, on the bulletin board to the effect that all salespeople in the store become acquainted with the article in question. An eastern concern advertises a weekly service to be used on the bulletin board as an educational method. The weekly service consists of samples of merchandise, a story of how it is made, illustrations of good and bad salesmanship, etc. The bulletin board can also be used effectively by posting brief, pithy sales hints, suggestions on how to increase sales, and store news; in fact, the ingenious manager will find a great variety of uncatalogable uses for a bulletin board.

THE USE OF HOUSE ORGANS

The house organ is a method possible only in the large store employing many employees. The purpose of the house organ is not always purely educational, but this side can often be developed with profit. Since the house organ is to be read by the employees at their leisure, it must contain material of interest. Anything of a "preachy" nature is likely to be passed by. Therefore, educational matter in a house organ needs to be presented in as interesting a manner as possible. Sales principles illustrated by pictures or presented in story form have been found effective.

Mottoes and maxims are helpful. Sketches of how difficult sales were made, methods used by most successful salespeople, and other personal matter when judiciously used have been found serviceable from an educational standpoint.

The efficiency bulletin in the form of a typewritten or mimeographed letter from the manager of the store or the superintendent of salesmen has been used effectively in a few stores. In these bulletins subjects of timely interest are presented, some dealing with salesmanship, others with store service, others with coöperation of departments, etc. Presentation in the form of an account of an actual incident in the store and at the close a challenge to the salesperson reading the bulletin to state what he or she would have done in a similar case is an excellent plan. Usually the recipient of the bulletin is required to sign it after reading and then to return or hand it to some other designated person. The department manager is usually required to keep track of the effect, if any, of the reading of the bulletin and to report to the manager or superintendent of the store.

BLUNDER SLIP

SALES NO. _____ RATE _____

TIME NO. _____

	Error	
1	Discourtesy to customer	
2	Lateness	
3	Wrong address	
4	Incorrect extension	
5	Omitting no. on sales check	
6	Leaving locker open	
7	Failure to stamp time card	
8	Failure to enter time on dept. sheet	
9	Failure to enter no. or amt. on transfer card	
10		

I acknowledge being the cause of the above **error**.

Signed _____

Approved _____

Fig. 26.—Blunder Slip

BLUNDER SLIPS

One of the best methods of improving the efficiency of store workers is by keeping an account for every employee of all errors or blunders made. The usual procedure of bringing the error to the attention of the employee is by means of the "blunder slip." Figure 26

BLUNDER SLIP			
NO.	DEPT.	DATE	REPORTED BY
Name			
Description of error			
<p>Your signature means that you will be very careful not to repeat this blunder.</p> <p style="text-align: right;">_____ Signature</p>			

FIG. 27.—Unclassified Blunder Slip

is a model of the blunder slip used in one store: Another form which does not attempt to classify the blunders, and must be filled in in writing is given in Figure 27.

The blunder slips are collected daily and sent to the educational director, who in turn sends them to the salespeople who have made the blunders. Upon receiving the

slip, the salesperson makes any explanation that may be called for and then signs his or her name and returns to the educational director. If the blunder is a serious one, or if the same blunders occur twice during the same month, the salesperson is called to the office for conference with the director. In this case pains are taken to make the salesperson see the gravity of the blunder and the way to avoid its recurrence.

At least once a month the buyer of each department should receive a report from the director of education showing the number of blunders reported from his department, the number of these reported by himself, and the relative rate of increase or decrease in blunders within the department.

It is never wise to use a fine system as a disciplinary measure for errors committed, certainly not in retail stores; but the record of blunders made will certainly be found helpful to the employment manager when time for promotions or changes to other departments comes.

EFFICIENCY RECORDS

The efficiency record of the employee, when properly kept, is another most valuable method of stimulating progress. This record should be kept by the superintendent of employees and should be filed with the "Analysis of Position," outlined in a preceding chapter, the employee's application blank, testimonials from former employers and others, and written judgments of the department manager and floor manager obtained at least once a year, to which the superintendent, after careful study, adds his own. The form of the statistical record of the efficiency of the employee, in this case a salesperson, is given in Figure 28. This form may be modified to suit special conditions and situations.

EFFICIENCY RECORD OF SALES PERSON												
Name.----- No.----- Date entered store.-----												
Age when entered----- Nationality ----- Home conditions -----												
Previous experience -----												
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Total sales												
Per cent sales												
Section per cent												
Per cent returns												
Errors												
Times late												
Days absent												
Department												
Wage												

FIG. 28.—Efficiency Record of Salesperson

DEPARTMENTAL CONFERENCES

When the final efficiency record is made up, conferences may be held with each individual salesperson falling below standard in any respect, the reasons for the weakness determined, and steps taken to strengthen this particular.

For example, if the ratio of wage to sales is too high,

the causes can be determined by reference to the judgments of the salesperson's superiors. If it be found that the weakness is lack of knowledge of goods or poor care of stock or any other one or two particulars, the salesperson can be called in conference and the situation outlined fully and definitely. Not only can the weakness be pointed out, but also suggestions can be given on just what needs to be done to eradicate the weakness.

Conferences, then, with the department manager and the superintendent can be made a most effective means of increasing sales efficiency if based upon definite records fully understood by both salesperson and superior. If native ability and a fair education for retailing as outlined are assumed, the chief educational work of the store will be one of developing individual efficiency by means of conferences, using efficiency records as the basis for discussion and as guides to better results.

In other words, information and facts are to be insisted upon as the basic conditions of successful conferences. When tempered with tact and understanding, these methods are constructive and tend to promote employees' goodwill as well as respect.

RATING SALESPEOPLE

For the purpose of checking the work of the educational department, each salesperson should be periodically rated to see if improvement is being made. The rating sheet should be carefully drawn up and should be made out in triplicate. One copy should go to the buyer, one to the floor manager, and one should be kept by the educational director. On these rating sheets, each of these individuals should express under each point named his best judgment regarding the salesperson. Figure 29 will give an idea of such a rating sheet. Its relation to the previous analysis of position will be obvious.

Rating of Salesperson	
Department.....	Position.....
Name of salesperson.....	
<div> Willingness to work Good sense Honesty Health Personal appearance Punctuality Obedience Alert Patient Cheerful Ambitious Tactful Courteous Pleasing personality Merchandise taste Knowledge of merchandise Care of stock Ability to handle customers <div> Proper approach Methods of showing goods Closing sales Suggestive selling Service to customers </div> Interest in work Growth and leadership in position </div>	

FIG. 29.—Rating Sheet for Salesperson

TEST QUESTIONS

1. Enumerate the chief factors which caused the apprenticeship system to break down in retail stores.

2. Explain why "the route to success to-day is not through experience alone, but through experience and schooling."

3. In what ways can the manager or department head give instructions? What limitations are there?

4. What technical instruction is feasible in regard to the routine work of an employee? How should it be given?

5. In what common school branches should proficiency be expected in a store salesperson?

6. What knowledge should a salesperson possess of the goods which he or she handles?

7. What minimum knowledge of the simple principles of psychology should a salesperson possess?

8. Indicate the most essential facts about effective salesmanship that might be taught to salespersons.

9. What education required for effective retail store work can the schools best give?

10. What matters can best be given in the store?

11. Enumerate at least ten practical methods or devices that aid in store educational work.

12. What information should be given in a summarized rating sheet of a salesperson?

CHAPTER XVI

WELFARE WORK

In a former chapter the relation of welfare work to the employment and education of employees was indicated. All are functions of the division which should be created in every large store and which should be under the direction of an official that has been called in this book the "superintendent of employees." It now remains to make clear just what is meant by the term "welfare work" and to point out briefly some of the more important things which it should accomplish.

PURPOSE OF WELFARE WORK

Welfare work concerns itself with the welfare, in the broadest sense, of the employees of the concern. The welfare work department must look after the health and comfort of the individual workers to the end that they may not only do their work well but also that they take pleasure in their work and enjoy their connection with the concern.

It may be pointed out at the outset that it may be impossible for any person, department, or institution to make every employee happy and contented with his work; but it is, nevertheless, true that most human beings will respond to human treatment and will appreciate to some extent what is done for them in order to make them comfortable. It is the business of the welfare depart-

ment to provide the conditions as fully as possible contributing to the employee's welfare. The final acceptance or rejection must, of course, come from the employee.

Employers expect their employees to take an interest in their concerns. Why, then, as someone has asked, should not the employer take personal interest in his employees? Surely, broadminded, sensible, humane employers have always done this, especially in small businesses where it was possible for them to know their employees personally. But during the last half century, the period in which large stores have come into existence, employers have been separated farther and farther from the rank and file of their employees. As a consequence the personal regard for employees as individual human beings has in many cases become less sympathetic and more formal. Mechanical system has too frequently taken the place of intimate human understanding. In consequence the employees have done less well in the work and have made less of their own abilities. Introduction of large scale business has resulted in many gains in efficiency, but in the handling of men and women the most frequent result has been a decrease in efficiency.

It is only within the last score of years that the need for systematic welfare work has come to be recognized in any general way. Considering all classes of industries, probably a thousand carried on some welfare work, specialized as such, in 1905. In 1915 not less than 30,000 corporations were doing something along these lines.

Not only has the number of concerns carrying on welfare work greatly increased, but the kinds of work done have increased in wonderful variety. The end of the things that can be done for employees with profit seems not yet to be in sight. In no single institution can one find a complete operation of welfare work as developed

in all its phases. On the contrary, one finds some one phase developed in one place, another phase in another store, and so on; with almost entire lack of parallel among them. This may be accounted for partly by the fact that the subject has never been presented in an exhaustive way so that the results could be used by the general store public. Moreover, welfare work costs money. The results are not immediate; consequently store managers have felt compelled to limit this kind of work to the more pressing problems. Since these problems differ from store to store, the welfare work has varied from store to store.

SUITABLE WORKING CONDITIONS

The most fundamental work of the welfare department, in the writer's opinion, is to provide suitable working conditions. A store like any other working place, should be properly lighted, ventilated, heated, and cleaned. As a matter of fact, very few welfare departments, as established in retail stores to-day, have anything to do with these matters. The duties attendant upon getting these right conditions are in most cases attended to by other departments, generally under the store superintendent. The welfare department has very little to say about how the store should be lighted, heated, and ventilated for the reason that the lighting, heating, and ventilating systems were installed with the building of the store years before a welfare department was even thought of. Whether these matters come under the direction of the welfare department or not, it is clear that the work is closely allied to the aims of welfare work, and the welfare department should be given at least some supervisory powers in this connection sufficient to bring these particulars up to well-recognized standards.

Let us outline some of these standards briefly.

STORE LIGHTING

The store that is well lighted permits of the best salesmanship and therefore pays for itself without considering the welfare of the salespeople. Goods may be shown to their best advantage, errors may be largely eliminated both in clerical work and in the selection of the right goods, shades, finishes, etc. But good lighting has its interests for the welfare department. People are always happier when working in a well-lighted room than when working in badly lighted places. Poor lighting results in eyestrain, nervous fatigue, and depression. People who work in poorly lighted rooms, rooms with either too much or too little light, suffer from inflamed eye, imperfect color vision, and in some cases from more serious eye defects.

It is somewhat difficult to outline standard lighting. In a general way, it should not be too bright nor too weak; there should be no glare; it should be steady; it should come from sources that will not cause shadows to fall on the merchandise shown on counters or show cases. It should be safe from danger of causing fires, and, in the interests of store management, should be as economical as possible. In intensity, the standard for store work may vary somewhat for different departments, but 3-foot candles may be accepted as scientific. Three-foot candles mean the light equivalent to the intensity of light obtained from three candles of a certain size placed a foot distant from the object to be illumined. For ordinary purposes, 3-foot candles of light may be considered as the amount of light that will permit of reading fine print for a considerable length of time without any feeling of eyestrain.

Natural lighting is for all purposes in store work the best. It has a healthful effect, is pleasant to the eye, and

disinfects by killing germ life. Natural light through windows and skylights should be utilized to the fullest extent, but in a great number of large stores it is utterly out of the question to get the required amount of natural light diffused throughout all the rooms of the store. Artificial light should be selected that will give the appearance of natural light as closely as possible. Except in small stores in country districts where kerosene is still used, the most common forms of lighting now are electricity, illuminating gas, and acetylene gas. Electricity has decided advantages over the others wherever it is available.

To secure the standard requirements of softness, steadiness, freedom from shadows, and economy, electric lights can be installed almost with mathematical precision. The sharp glare of the tungsten is softened by means of indirect or semi-indirect fixtures. The lights are distributed so as to equalize the illumination in all directions, flooding the salesrooms, as it were, with a soft pleasant light.

STORE VENTILATION

Ventilation needs careful consideration from the welfare department that seeks to perform its full function. Bad air is far more injurious to store employees than most people know. Bad air produces fatigue and sleepiness. Persons who stay in rooms poorly ventilated suffer from headaches and nervousness, and, notably, catch colds easily.

Not only do the salespeople suffer from bad store air, but also the customers. Shoppers who find themselves all tired out, nervous, patience gone, and ill at ease are often suffering from the effects of the bad air breathed in the store.

There is no question but that the poorly ventilated

store reduces the efficiency of the salespeople, and therefore the sales of the store.

Every adult in the store, customers as well as employees, needs from 40 to 50 cubic feet of fresh air per minute, or 3,000 cubic feet per hour. Children need somewhat less. This is the standard. If this amount of air is not supplied constantly, the result is bad air and its consequences are as enumerated above.

To secure this amount of fresh air per person in the store, ventilating devices are used. Ordinary, natural ventilation through doors and windows can serve only in the smallest stores. One of the simplest devices of artificial ventilation is the electric fan that keeps the air in motion and in so doing starts air currents that bring fresh supplies to the individuals that work nearby. The beneficial effects of the use of the fan are too obvious to need further explanation.

One way of receiving artificial ventilation on a general scale is secured by forcing air into the rooms through pipes or ducts by means of a fan or fans. The room to be ventilated has both inlets and outlets for the air, and as fresh air is forced into the room, foul air is crowded out through the outlets. This is known as the "plenum system."

In some cases the air in the room is withdrawn by suction by having fans placed in the ducts leading out of the room and thus drawing the air away from the room. Air drawn out leaves place for other fresh air to come in through the inlet ducts. In this way circulation is provided. This is called the "vacuum system."

In the large buildings both vacuum and plenum systems are used. That is, air is forced into the building by means of a fan system and likewise drawn out by fans. The amount of air needed for the number of people in the

store is regulated by the size of the ducts leading into and out of the store and by the speed of the air current. For example, a room which at the most crowded period of the day holds a hundred people, should receive about 5,000 cubic feet of air per minute. If the air ducts have a cross sectional area of 9 square feet, the current will have to come in at the rate of 556 feet per minute, or about 9 feet per second.

STORE HEATING

A standard temperature should also be aimed at in the store. Numerous studies have been made showing that the best work can be done when the temperature is from 65 to 70 degrees, Fahrenheit. Beyond these limits the workers begin to lose their highest ability. Less than 65 is likely to feel too chilly to be comfortable, and more than 70 degrees caused the salespeople to become fatigued easily, to feel sleepy, and to lose their sprightliness.

But it is not only the temperature and the purity of the air that need to be considered. All air under ordinary conditions contains some moisture. The amount of moisture in the air has a great deal to do with its effect on the human being. When air contains only 10 per cent as much moisture as it could hold, it would be termed very "dry air." At a temperature of 65 or 70 degrees air with only 10 per cent of moisture would prove harmful if a person continued to work in it for a long time. Air so dry would tend to evaporate all the moisture out of the skin and mucus membranes of the eyes, nose, and throat. This condition would tend to bring on such disorders as eczema, inflamed eyes, catarrh, and sore throat.

On the other hand if there is too much moisture in the air, particularly if it is warm, it causes the perspiration

to gather and clog the pores of the skin and to cause the individual to tire easily. This fatigue is due to poisons that collect in the body and that are ordinarily carried off in the perspiration but which remain in the body when the sweat glands are clogged by the moisture exterior to the body.

Thus either too much moisture or too little is bad for efficiency. The amount of moisture in the air is measured by the percentage method. If the air contains half of the moisture that it can hold at a certain temperature, we say that its humidity is 50. If it contains three-fourths as much water as it can hold we say that it has a humidity of 75. Experience with tests in retail stores and other institutions where many people work show that the best work can be done when the humidity ranges from 50 to 75, averaging around 65. Various forms of hygrometers are available for measuring the humidity of air.

One reason why it is difficult to regulate the humidity of a store or any other place artificially heated is that the air can hold much more moisture at higher temperatures than at lower. Moist air at 50 degrees becomes dry air at 80 degrees, if no moisture is added to it while it is being heated. Thus air taken into the building from outdoors on a cold day and warmed inside over steam pipes or other heating apparatus changes from high to low humidity. Unless water is added to it, the air is almost certain to be too dry inside during the cold weather. Hence various systems have been devised to add moisture to the water while it is being heated, as for example, by letting it pass over pans of water from which it might evaporate and by turning currents of steam or of water spray into the current of air moving in the ducts. Whatever the method, it is essential that the humidity be made right if the best work is to be done and if the employees' health and efficiency be kept up to top notch.

There is another purpose in washing the air with water. Besides humidifying the air, excess of water in the spray tends to wash out the dust particles that are so plentiful in all city air. Thus the air is made more pure, and less burden is placed upon the breathing organs in getting rid of dust and dirt.

STORE CLEANLINESS

The standard of cleanliness for a retail store should be that of a well-regulated, modern home. A store cannot be kept too clean. In these days of increasing public interest in hygiene and the relation of dirt to disease the store which leads in cleanliness and sanitation is certain to profit by the public goodwill. Floors, windows, walls, ceiling, back of the counter as well as in front, merchandise, and all must be kept free from dust, tarnish, and stain. No business profits so directly from observing the strictest cleanliness as retailing, the business that stands closest to the consumer. Cleanliness pays both directly and indirectly.

The duster should be used as little as possible and damp cloths substituted for it. The duster merely stirs up the dust which later settles down again. The damp cloth gathers the dust, and when the cloth becomes very much soiled, it may be laundered clean for use again.

Sweeping is an art that should be carefully taught to the store cleaners in order that the dust and dirt on the floors may be thoroughly removed and not merely raised into the air.

DRINKING WATER

Every store should supply good, cool drinking water, easily accessible at all times both for its employees and for customers. One of the great hygienic mistakes of

many people is in not drinking enough water and in drinking it only at meal times. An adult should drink a quart or more a day, and most of this should be consumed between rather than at meal time. So far as retail workers are concerned, very few drink as much water as they should, and the fault is partly the employer's who fails to provide the necessary amount in convenient places for the use of his employees.

Good drinking water should be pure, colorless, and odorless. It should be cool, but should not be ice cold. In fact water that contains ice or that is melted from ice is quite likely to be impure, since freezing does not kill most germs found in lake or pond waters. Water that is ice cold is injurious because it causes the stomach to be chilled, and this is likely to be followed by blood congestion. Ice water dulls the organs of taste as well. Those who drink much ice water are likely to suffer from indigestion or dyspepsia.

The best way to supply drinking water is by means of drinking or bubbling fountains conveniently located about the store, accessible to both salespeople and to customers. Even stores without running water can secure apparatus that will provide drinking water without the use of cups or glasses.

The main objection to the cup is the sanitary one. Disease is conveyed from the sick to the well by means of it. Where cups must be used, each salesperson should have an individual cup, or, better still, paper cups should be at hand near the water supply so that each person seeking a drink should have a new, clean cup.

The importance of good drinking water to the store efficiency cannot be overemphasized. Some stores even send vacuum bottles of cold water out with their delivery men during hot weather. The men are thus supplied with

drink at all times and need neither thirst nor waste any time in getting water while on the trip. It has been said that in one store at least, the measure has helped to keep the delivery men out of the saloons, since they go there otherwise, solely to get something to quench their thirst.

DRESSING ROOMS, TOILETS, ETC.

The dressing rooms of the employees of a store should be clean, light, and well ventilated. During cold weather they should be heated to a temperature of 60 to 65 degrees at least. There should be provided an individual locker for every person, large enough to hold outer clothing in good order. These lockers should be constructed so as to permit constant ventilation. Wet or damp clothing hung in the locker should have a chance to dry thoroughly. In some stores a clothing drying room is provided where the clothing is hung in a current of dry, hot air which quickly evaporates all the moisture in the garments.

There should be separate toilets for the sexes, no matter what the size of the store, if both sexes are employed. There is no excuse for anything but the best type of open plumbing and sanitary fixtures. The closets should be provided with self-closing doors and should be ventilated by a system of air ducts separate from the regular system, or better yet, direct from the open air. There should be at least one closet for every twenty men employees if urinals are used, and at least one for every fifteen female employees. Needless to say, the toilet rooms should be kept scrupulously clean and should be light and bright.

Means for washing should be provided in connection with dressing rooms and toilets. Enameled iron sinks or basins have been found best. There should be one basin for every fifteen employees. Hot water as well as cold should be made available, since hot water is nec-

essary in most cases to cleanse. The soap cake is unsanitary if used by more than one person. The best arrangement is the bottle containing soap solution or soap powder. It is not only sanitary but also most economical in the long run. The roller towel has absolutely no place in the store. If individual hand towels cannot be provided, paper towels should be used.

LUNCH ROOMS

Every store in which employees bring their lunches to be eaten at noon, should provide a suitable lunching place or room. It is most important that this place should be cheerful and attractive, since the surroundings at meals affect the appreciation of the meal and indirectly the digestion. Comfortable chairs and tables, neat and clean, should be installed for the employee's use. Some stores go farther and provide the room with decorations, pictures, and statuary. It has even been found advantageous to provide a piano or a phonograph to supply music during the luncheon hour. A few minutes of recreation following is an excellent thing. Music, singing, or even dancing for a few moments are found beneficial. These exercises cause the employee to relax mentally and thus rest from the regular work.

Some of the larger stores go farther and provide not only a suitable lunch room but also lunches at small cost to the employees. Under this system a well-balanced luncheon is sold to the employee at from 10 to 20 cents. Despite the fact that appetite is natural, we all have to learn how to eat for best physical efficiency. Education in this respect can come in no better way than a properly served meal. Indoor workers need to use more care in the selection of foods than those doing heavy outside work; hence lunches prepared with reference to their

nutritive values for store workers and sold to employees at low cost is one of the best possible forms of welfare work.

To help educate the employees in selecting proper foods for their needs, some stores hang poster bulletins on the walls showing the food values of various foods offered, and suggesting various well-balanced combinations. The information given on these wall bulletins is supplemented from time to time by talks from physicians, nurses, or the head of the welfare department on hygienic eating. The Department of Agriculture at Washington publishes some valuable, illustrated charts showing the nutritive values of all common foods that should find a place in the collection of material in store welfare departments generally.

REST ROOMS

In addition to the dressing rooms and lunch rooms there should be a separate room for each sex, set aside as a rest room; a quiet retreat where a worker who does not feel well may go for a short rest. Silence should be the rule here. These rooms may very well be a part of the store hospital system to be mentioned later in the chapter.

SEATS FOR SALESPEOPLE

Another matter that has received consideration from welfare departments is the provision of seats for saleswomen back of the counters to be used when the saleswomen are not busy with customers. Several states have passed laws requiring that such seating be provided. It is a reflection upon the business of retailing that such legislation has been necessary to point out the need for seats, particularly for women.

Good salesmanship requires that salespeople must be

on their feet while waiting upon customers. Customers do not like to be served by salespeople who are seated. Salespeople cannot properly show goods while seated. But a rule that salespeople should never sit down while in the store is as out of place and out of date as the use of powdered wigs for men in polite society. Salespeople should be taught to get up and come forward promptly to meet customers, but that they may sit down at any other time, if their work is in good order.

There should be a seat for every salesperson, conveniently located and large enough to be comfortable. The folding type will probably be found most economical in service, as it may be folded up and out of the way when not in use.

Anything that a store can do for the comfort of its employees, not interfering with the purpose of the store—selling goods to customers—is likely to prove beneficial to the selling itself.

PADDED FLOORS

Some stores not only provide seats for their salespeople but also cover the floor back of the counters with rubber matting or pads to make it easier for the salespeople when on their feet. Everyone who has had any experience in selling knows how vital enthusiasm and energy are to success. It is difficult for a salesperson with aching feet or legs to be either energetic or enthusiastic with customers; hence these provisions for their comfort really help the salespeople to conserve their energy to be used more entirely in salesmanship.

PREVENTION OF INJURIES

Injuries of various kinds are likely to happen to store employees. Falls and resulting sprains and bruises,

burns, cuts, splinters in the flesh, and foreign bodies in the eye are some of the most common. The welfare department must seek to eliminate chances of mishap as much as possible. Slippery places need guarding. Hand rails should be placed wherever people are likely to fall. Any dangerous machinery or mechanical devices should be adequately protected by safety devices, which can be made or purchased for every purpose.

FIRE PREVENTION

Another matter which logically comes under the direction of the welfare department is fire protection, but because of the late development of welfare work and the ancient need for protection from fire, very few, if any, stores have this work taken care of by the welfare department.

Fires in retail stores are caused mainly by the following methods:

1. Matches carelessly thrown away while lighted.
2. Matches gnawed by mice.
3. Matches ignited by weights falling upon them.
4. Defective heating systems.
5. Defective lighting systems.
6. Explosion of gasoline or kerosene.
7. Smoking, or fire started from cigar stumps thrown away.
8. Defective wiring.
9. Inflammable decorative material hung near the lights.
10. Ashes left near inflammable material.
11. Oily and waste material, rubbish, dirt, and other matter.
12. Spontaneous combustion.

Most fires are preventable, and most fires that start

can be put out before damage is done if the store has a proper system.

Fireproof construction should be the rule in store architecture henceforth, and old buildings when remodeled should be made to conform to this rule as nearly as possible.

Proper precautions should be taken to have plenty of exits for the use of all in the building, both workers and customers, in case of fire. All doors should swing outward and should be constructed so as to open from the inside when pressure is applied no matter how closed or locked. Upper floors should have more than one stairway or method of getting to the ground. The fire escapes should be built on the stairway and not the ladder plan.

Every store having upper floors should conduct fire drills from time to time, to show the employees how to get out of the building quickly and safely. All should be instructed carefully to go directly out in the case of fire signal and not attempt to get to the dressing rooms for outer clothing and hats.

Every store building should be equipped with some fire fighting apparatus, and some employees should be trained in the use of this apparatus. For local fires, chemical extinguishers are valuable. These should be located at regular intervals in conspicuous places. Standpipe and hose should also be in the store equipment on every floor, and certain of the salesmen nearby responsible for its use in case of a blaze.

The employees named for taking charge of fire extinguishers in case of danger should be organized as a store fire company with officers and rules. Both property and lives rest in their hands in case of danger, hence the need for organization and training.

Automatic sprinkler systems have been found very

effective in protecting stores from disastrous fires. The principle of the automatic sprinkler is simple. Water under pressure is held in pipes that are distributed evenly all over the building, generally a few inches below the ceilings in each room. At regular distances, a few feet apart, valves are placed, fixed in place by soft materials that melt at a temperature of about 160 degrees and cause the valves to open and a water spray to flow in all directions. When a fire starts in any department, night or day, the heat of the fire will cause the valves in the vicinity to open, and the water will drench the surroundings and put out the fire. Merchandise will be damaged by the water, but the greater total loss by fire is obviated.

MISCELLANEOUS WELFARE ACTIVITIES

The welfare departments of various stores perform many other functions for their employees. Some of these will merely be listed, as for example, loaning umbrellas and rubbers on wet days, putting a sewing machine in the woman's room for use of employees who wish to take the proverbial stitch in time, conducting a store library and loaning books and periodicals, signing library cards and otherwise encouraging the use of the public library, helping to form recreation clubs of various kinds among the employees, helping to organize societies for the study of art, music, literature, language, domestic science, physical training, and so on, arranging summer outings for store groups, giving half holidays during slack seasons, providing legal advice for those desiring it, and various other things.

ECONOMIC WELFARE WORK

The welfare department is also concerned, or should be, with the economic welfare of the employees of the

store. It should serve as the representative division of the store in assisting in the management of mutual benefit associations organized among the employees for assisting members in case of sickness or distress. A typical constitution of a store benefit association will be found at the end of the chapter. In some cases membership is voluntary, in others compulsory. In the constitution quoted at the end of the chapter membership is compulsory.

Many other types of economic activities may be taken up by the welfare department. As time goes on the importance of this part of the work is likely to be found of increasing importance. Some stores now provide life insurance for their employees, buying the insurance from well-known and well-established life insurance concerns. A few stores have provided old-age retirement and pension funds. More are certain to do this. Stores in large cities should through the welfare department help new employees to find suitable rooming places. Some stores assist in the organization of home owning organizations among their older employees, modeled after the more public building and loan associations. A large number of stores sell goods to employees for their own use or for the use of those dependent upon them at a discount, running from 10 per cent to 20 per cent off regular prices. In a few cases coöperative societies are formed within stores for the economic purchase of such supplies as coal in carload lots.

Several large stores conduct savings banks for their employees paying fairly high rates of interest for deposits, and thus encouraging thrift. A few encourage the use of savings in the purchase of stock or an interest in the concern. These, and many other devices of welfare work, have great value if properly carried on.

The welfare department should also concern itself and coöperate with the employment department in securing a just system of remuneration for the employees. This will involve a consideration and study of the possibilities and workings of the various methods of remunerating sales-people, such as time rates, commissions, bonus systems, premiums, profit sharing, and so on. In these studies the welfare department will act in an advisory capacity to the employment department, and seek to present the employees' side in the discussions.

PERSONAL RELATIONSHIP TO EMPLOYEES

A very necessary part of a welfare department system is that someone in the department, preferably the head, should be able to meet the employees frequently in an informal, impersonal way. The employees should recognize in this person a sympathetic friend, an attorney for their cause in case of conflict with their superiors, and a good adviser in case of trouble. The welfare worker who is to fill this responsible position should have had considerable experience with life, and a broad, tolerant outlook. Since most of the employees in large retail stores are women, this personal work in the welfare department should be done by a woman, mature in years and judgment, but young enough to appreciate the difficulties of youth. She should be a sort of mother for the store family to whom any or all would feel free to come for advice, for consolation, or for inspiration.

There remains one large problem for welfare departments to tackle so far unmentioned, and up to this time unsolved in American retailing, and this is the problem of unemployment for a considerable portion of the year and the high rate of turnover in the employment of store workers. The average of unemployment is more than

ten weeks per year in many large city stores, time that is lost to both individual and society. Many large stores have to hire twice as many people during the year as are regularly working in order to keep a full force on hand. The hire-and-fire system has some defects that probably only the welfare departments can solve. The solution has not been reached by any means so far proposed in any American store, but this is no reason why the matter should not be studied and experiments made, to the end that a solution may some day be found.

HEALTH OR HYGIENIC WORK

The last line of welfare work to be mentioned here is one of the most important of all, namely promoting individual health efficiency, upon which all other efficiency rests.

THE PHYSICAL EXAMINATION

As a first step in the direction of raising the standard of health of the employees, the medical and physical examination must be employed, not only at the time of employing the applicant for a position, but also periodically for every worker in the store, male and female, old and young.

The primary value of the medical examination of applicants to the store is the discovery of causes unfitting applicants for store work, as well as contagious diseases and other conditions imperiling the welfare of other workers. As an illustration of the latter, it may be pointed out that in stores where examinations are now required, medical examiners discover among applicants for positions those who have contagious diseases of which they are themselves not always aware. Scabies, ringworm, impetigo, and pediculosis are detected and the

carriers kept from contributing their troubles to others.

The physical and medical examination, itself, should be thorough and should be made by a competent physician or someone trained in this work. In large stores the welfare department should have the services of a physician for part time at least for this kind of service.

The points to be covered in the examination may be indicated in outline form.

POINTS COVERED IN PHYSICAL EXAMINATION

Family history	Lungs
Appearances	Stomach
Nutrition	Abdominal organs
Height	Kidney and urine
Weight	Genito-urinary tract
Chest	Nose
Girth	Throat
Posture	Mouth
Rupture	Teeth
Arches of feet	Gums
Veins of legs	Tongue
Curvature of spine	Ears
Other physical deformities or asymmetries	Eyes
Temperature	Personal hygiene
Pulse—before and after exercise	Habits of living
Blood pressure	Eating
Heart	Sleep
Blood vessels	Clothing
	Exercise
	Fresh air

As a result of the examination the welfare department can at once place itself in the position of being of personal help to the individual in building better health and working ability.

MEDICAL SERVICES

In this connection the stores can do much for the employee by making provision for the services of dentists, oculists, ear, nose, and throat specialists, and chiropodists at reduced prices. In fact, it may pay the store to contribute some part of the expense in many cases.

HOSPITAL AND NURSES

As a part of the medical equipment of the store, there should be supplies of first aid material at hand and in the larger stores an examination and operating hospital room.

The hospital should be presided over by a trained nurse, and this official may be of great service in a number of ways, such as giving advice on the treatment of minor ailments such as colds, neuralgia, female troubles, burns, bruises, etc. The nurse may also assist in the welfare work of the store by giving instruction in hygiene to suit the needs of the workers in the store.

Some stores also have a visiting nurse who gives her attention to employees that are out because of illness.

WELFARE WORK AND THE HAPPINESS OF EMPLOYEES

In conclusion, all welfare work aims at providing the conditions both without and within the employee for highest efficiency. Part of these conditions are physical and environmental, and part of them are psychical or mental. Up to the present time, some stores have gone far in providing the proper environmental conditions, such as proper lighting, heating, ventilation, etc., but have as yet done but little to secure the proper mental conditions needed for efficiency. Only a few have seen the need for developing both sides systematically.

The rewards of welfare work properly carried on

should appear as positive results on the assets side of the concern's balance sheet, but greater than the result in dollars and cents is the development of manhood and womanhood among the store employees to more complete self-realization. The welfare department by its activities opens the way for each individual, so far as possible, within the institution to grow to full stature physically, mentally, and morally. This process of man building is, after all, the greatest result.

Business exists solely for the purpose of satisfying human wants. Nowhere is this clearer than in a retail store that lives day by day by the grace and goodwill of customers who come to it to be served. Is it not, therefore, highly appropriate that business, the retail business, should also assist in the development of those who are employed within its doors? Welfare work properly carried on is doubly repaid, first in financial return; second, in the satisfaction that comes from being of service to one's kind.

The by-laws of a store mutual benefit association which follow may well be studied with great care, because they represent the constitution of a plan which is in actual operation in a certain department store. Points of particular interest are the purpose of the organization, the system of government, the machinery of government, the membership, the graduated system of dues payment, and finally the benefits actually conferred upon its members. This association is purely an employee benefit organization. Its only direct connection with the store management consists in the power to deduct the dues of its members from the pay roll. This association is, therefore, a good example of what can be done by coöperation without imposing a burden upon the store organization itself. Some stores make a contribution to the benefit fund, but that is a matter for individual decision in each case.

BY-LAWS OF THE _____ MUTUAL BENEFIT ASSOCIATION

ARTICLE I

NAME.—The association shall be called “.....
Mutual Benefit Association.”

ARTICLE II

OBJECT.—The object of this association shall be to assist the members thereof in sickness or distress, and to promote a spirit of good fellowship and fraternity, and for social enjoyment.

ARTICLE III

OFFICERS.—There shall be a board of eleven directors, who shall be elected by a majority vote of members of the association, who shall serve for one year, or until their successors are elected.

This Board of Directors shall elect from their number a President, a First and Second Vice-President, a Secretary, and a Treasurer.

ARTICLE IV

PRESIDENT AND VICE-PRESIDENTS.—It shall be the duty of the President to preside at all meetings of the Board of Directors. He shall also, jointly with no less than three of the Board of Directors, have power to call a special meeting of the board or of the association whenever, in their opinion, the interest of the association requires it. In the absence of the President, the First Vice-President, and in absence of them all, then the Secretary shall perform the duties of President.

SECRETARY.—It shall be the duty of the Secretary to keep the minutes of the meetings, to issue calls for special meetings, under the directions of the Board of Directors.

TREASURER.—It shall be the duty of the Treasurer to keep a correct account of the funds of the association, to deposit all funds in an organized bank or to invest in such securities approved by the Board of Directors. It shall further be the duty of the Treasurer to make all deposits or investments in the name of the association, to pay all bills and claims of every kind against the association, subject to the approval of the Board of

Directors. All checks to be issued and signed by the Treasurer, to be countersigned by President, Vice-President, or Secretary.

The Treasurer shall give bond in the sum of \$3,000.00, to be approved by the Board of Directors, which the association shall pay for.

He shall also give the Board of Directors and Auditing Committee opportunity to examine his accounts when they may desire.

ARTICLE V

DIRECTORS.—The Board of Directors shall have power over, and audit all claims and accounts of the association, and have general control over its affairs, and to levy special assessments on the members, when in their opinion it is necessary to do so.

They shall employ a person or persons, at the best possible terms, to investigate all claims of sickness of its members.

ARTICLE VI

AUDITING COMMITTEE.—The Auditing Committee shall meet semi-annually for the purpose of examining and auditing the accounts of the Treasurer and full reports thereof to the Board of Directors, said Auditing Committee to be appointed by the President.

ARTICLE VII

BOARD OF DIRECTORS.—Meetings to be held first Wednesday of each month—in case of legal holiday the following Wednesday—or as often as business requires.

SPECIALS.—Extra meetings may be called by the President whenever he or three of the Board of Directors consider it necessary.

ARTICLE VIII

VACANT OFFICES.—In case of vacancies arising in any official position or in the Board of Directors, a majority of the Board of Directors shall fill such vacancies until the next annual election.

ARTICLE IX

MEMBERSHIP.—All employees of.....as per their application for employment, are members of the association, and all employees severing their connection with.....shall by that fact be rendered non-members, and will not be entitled to any benefits of the association.

ARTICLE X

DUES.—All members receiving a salary of \$3.50 and less shall pay a monthly due of 10 cents. Members receiving a salary of from \$3.50 to \$5.00

shall pay a monthly due of 15 cents. Members receiving a salary of \$5.00 and over shall pay a monthly due of 25 cents.

ARTICLE XI

BENEFITS.—For sick benefit, members will be paid one-half of their weekly salary per week, but in no instance shall this sum be more than \$5.00 per week benefit—and for no less than one week's sickness—and in no instance shall any beneficiary receive benefit for more than six weeks in any calendar year.

ARTICLE XII

Sec. 1. DEATH BENEFITS.—A provision has been made, whereby a certain sum will be paid for burial expenses of deceased members who have been in the employ of.....for at least six months, as follows:

To members paying 10-cent monthly dues, \$25.00.

To members paying 15-cent monthly dues, \$35.00.

To members paying 25-cent monthly dues, \$50.00.

Sec. 2. In case of a death of a member of the association the Board of Directors will furnish one carriage for those in the department (where the deceased was employed) desiring to attend the funeral.

Sec. 3. It shall be at the discretion of the Board of Directors to order flowers in case of the death of a member of the association, not to exceed \$5.00.

ARTICLE XIII

NEW MEMBERSHIP.—No one shall be eligible to sick benefits who has not been a member of the association thirty days. Members who have paid the first month's dues, and who shall leave the employ of..... before thirty days have expired, no benefit will be paid them, and the one month's dues will be refunded upon demand.

ARTICLE XIV

PAYMENT OF DUES.—The dues shall be payable the first Tuesday of every month, and the Treasurer shall have power to collect these dues from the salary pay roll of....., who in turn shall deduct the amount from the salaries of such employees.

ARTICLE XV

PERMANENT FUND.—A permanent fund of not less than \$1,000.00 shall be held in the treasury. Whenever the fund shall be less than \$1,000.00 an assessment shall be made on each and every member of one month's dues.

ARTICLE XVI

OFFICERS' SALARIES.—No officer or director of this association shall receive any salary whatsoever for their services, with the exception of the

Treasurer and Secretary, whose salaries shall be fixed by the Board of Directors.

ARTICLE XVII

EPIDEMIC.—In case of an epidemic raging, the number of weeks' benefit to be paid members shall be reduced to three weeks.

ARTICLE XVIII

ENTERTAINMENTS, ETC.—The Board of Directors shall be empowered to give entertainments, such as theatricals, concerts, balls, boat and land excursions, when in their judgment it will be a benefit for the association.

ARTICLE XIX

ELECTION OF OFFICERS.—The election of officers of the association to occur annually the first Wednesday in January.

In case the first Wednesday above specified is a legal holiday, then the following Wednesday.

ARTICLE XX

PAYMENT OF CLAIMS.—Payment of claims against the association to be made by regularly drawn order on the Treasurer, which order shall be countersigned by the President, Vice-Presidents, or Secretary.

ARTICLE XXI

SEC. 1. NOTIFICATION OF SICKNESS.—Notification of sickness shall be made to the Secretary immediately.

When this rule is not complied with members will not receive their sick benefit.

SEC. 2. Whereby any employee absenting himself or herself on an indefinite vacation without first notifying the Superintendent's office and while on said vacation should be taken sick or meet with an accident, no claim will be allowed.

ARTICLE XXII

HOSPITAL.—Any member of the association wishing to enter a hospital of Chicago may do so free of cost by applying to the Secretary, but for no longer than three weeks, and shall not interfere in any way with the regular sick benefits due them.

ARTICLE XXIII

These by-laws may be changed at a regular meeting of the Board of Directors by a two-thirds vote.

TEST QUESTIONS

1. Under whose direction should welfare work be placed?
2. Enumerate some of the objects and purposes of welfare work.
3. What is the most fundamental work of the welfare department?
4. What principles should govern store lighting?
5. Why is store ventilation important for securing efficiency in salespersons and in sales?
6. What is the most desirable temperature for store efficiency?
7. How can a lower temperature be made to produce as comfortable a feeling as a higher temperature?
8. In what other practical ways can the health and efficiency of store workers be promoted?
9. What rule should be observed for preventing fires in stores?
10. What welfare activities may be considered for promoting the personal relations of employees?

CHAPTER XVII

DEMOCRACY IN THE STORE

EMPLOYEES' SHARE IN GOVERNMENT OF STORE

As an institution, the store needs government the same as a state, a city, an army, or a school. But, as in other institutions, store government is at its best only when it springs from the minds and understanding of those governed, in this case the store employees. Discipline, as such should rest upon principles and reasons recognized and approved by the employees. Duties should, similarly, be performed with intelligence and self-direction rather than from command. In short, there should be a strong element of constructive democracy in store government to which both employees and employers should feel bound.

SUGGESTIONS FROM EMPLOYEES

In every store it should be made easy for any employee to make suggestions concerning the conduct of the business, or relating to his own position in it, for either critical or constructive purposes. The most successful businesses in the world owe their growth to the help and suggestions of their own employees. The most successful managers are those who can get the most help from their employees.

Not only should suggestion for saving time, expense, or labor be welcomed; they should be systematically

sought and obtained. Every employee should be asked to consider himself an eye of the business on the lookout for good ideas that may be put to use. Some concerns have standing offers of sums of money for suggestions of any kind that can be put to use in the store. One store pays a dollar for every suggestion it can use. Suggestions are wanted not only on how to improve the business but also on how to make the store a better working place, more comfortable, and more likeable.

THE EMPLOYEE'S RIGHT OF APPEAL

The employee should also have the opportunity to carry his difficulties to some sympathetic person in the store, the welfare department head, as was suggested in the last chapter, if possible, or some other mature person. Likewise, the employee should have the right of appeal in every case of absolute disagreement with his or her immediate superior, and without fear that this slip will cause trouble.

In some stores the appeal is made to the general manager. In large stores it might be well to have it taken up by a sort of arbitration or referee board composed of representatives of both the employers and employees.

No person should be dismissed from the employ simply upon the request or complaint of one department head in the store. The superintendent of employees should see that at least one other chance is given in some other department before permitting the employment department to discharge the employee.

Stores are beginning to see the cost in money and, greater still, in inefficiency, due to the waste of the "hire-and-fire" system. Not only is it uneconomical to the concern, it is unjust to the employee. Under this system, the masses of employees feel but small incentive for

improving beyond a certain point. Further effort is felt to be useless, since, at the approach of the next slack season, the position may be lost, and with it the opportunity to use the skill acquired, unless another position exactly like it can be found.

Unless some degree of assurance can be given the employee that tenure of position will be permanent, depending upon the manner in which the work is done, it must be granted that the usual careless attitude of many employees is quite natural if not logical. We are not here concerned with employees who seek only temporary work. That constitutes a special problem that should be considered by itself. But employees who desire permanent employment are entitled to more consideration than has been given them in the past by a great many employers.

SECURITY OF EMPLOYMENT

The modern business manager owes security and permanency of employment to his workers. The obligation of the industry extends further than the legal and contractual one represented by the salary check at the end of the week for work already done. A concern that finds it necessary to dismiss its workers in large numbers periodically is a misfit social institution and a failure no matter what financial condition is shown on its balance sheet. It can be shown that an institution of this kind does a great deal of harm to the community in which it exists. In time to come, it is likely that society must prevent such institutions from operating, or at least force them to provide for the unemployment caused by its seasonal operations. Furthermore, seasonal operations generally indicate a poorly organized business with high overhead; this the management should correct.

RIGHT TO HELP DETERMINE WORKING CONDITIONS

The employee should have some share in determining the working conditions in the store. When rightly handled this right will never be abused. If the store is improperly lighted in any part, the action of employees concerned or affected by the defect should be sufficient to cause the management to remedy the condition. If, in the judgment of employees, the ventilation, heating, or cleanliness of the building need attention, if within possibility, improvements should be made. The share of the employees in such matters as these will not only help to make the store a more suitable place to work in, but will also tie the employees more closely to it. What has been done for the store at their suggestion helps to make them feel that it is *their* store. What is theirs demands their loyalty and interest.

RIGHT TO HELP DETERMINE WAGE

Employees should also have a share in determining their own salaries. It is not meant by this that they should determine the general wage levels. That would be impossible; for wage levels are determined by conditions going far beyond the confines of any single store. What is meant is that individual adjustments to these wage levels should not be made arbitrarily by the employer or employment manager. The employee should have the chance to present his or her side of the case, and has a right to know what the argument is for fixing his or her salary at any given point, and to learn very definitely just how that amount may be increased.

THE NEED FOR BOARDS OF ARBITRATION OR
OF REFERENCE

Again, it must be suggested that there is need in the larger stores particularly for referee boards, or arbitra-

tion bodies, before whom such matters as working conditions, amount of work to be done, and salaries could be taken in case of misunderstanding. Judgment by the employment manager or by the superintendent of employees, or even by the general manager might seem unfair to the employee, but the decision of a body of five or six co-workers, after hearing all the evidence, would be regarded as final.

The organization of the board of referees should be such as to secure an unbiased view of both sides of the question. Probably the head of the welfare department and the superintendent of employees should be ex-officio members. At least two members should be of the same rank as the complainant employee. A fifth member could be secured by common agreement of the force.

The process of bringing matters for settlement before this board should be made as simple as possible. Filing a written notice with the superintendent of employees should be sufficient. The board should meet at some convenient time and hear the evidence, make such studies of its own as may seem necessary, and then give its judgment to the general manager of the store, under whose direction the execution of the judgment should proceed.

FINAL OBJECTS OF STORE DEMOCRACY

This may seem a radical plan to many employers who have held, and are still holding, despotic sway as managers of their stores, but it is believed that it represents the tendency of progress. Several stores already have self-government associations of one kind or another. In an increasing number of instances, the coöperation of employees is sought by including their voices in the counsels of the firm. A few have already adopted a

system of boards for adjudicating misunderstandings and disputes.

It is not to be expected that this plan will work itself. It will need guidance and detailed management. It is not to be expected that it will work everywhere without failures. All that is urged for it is that it is one method, the most radical, perhaps, but also the most important, when taken in conjunction with proper selection, education, and remuneration of employees, for increasing the interest and loyalty of employees for the firm.

It is desired that store employees shall take such an interest in their work as their employers would if the employers could be in their places. But it is difficult to hire interest. Interest grows out of what affects self. *Your property, your business, your sports, your troubles, and your ailments*, I care nothing about. But I am very much interested in *my property, my business, my sports, my troubles, and my ailments*.

You can make me interested in your business by showing me how your business will affect me, by making me a part owner and part governor of, and therefore partly responsible for, your business. This is the logic that underlies the bonus system, profit sharing, and democratic government in the store. The despot must relax his grip and give up some of his power in order that his subordinates may become more interested in their work. There is no business where the effects are more directly felt of interest in the work or its lack than among employees who are representatives of the store to the public. Leadership there must be, but it should be the kind of leadership which causes others willingly to bear responsibilities according to their abilities, rather than a leadership which attempts to bear the whole load by

so-called "driving" methods of management. It must develop and lead forth the full latent powers of the organization.

TEST QUESTIONS

1. What is meant by democracy in the store?
2. How may employees be encouraged to make constructive suggestions?
3. What provisions should be made for giving employees the right to appeal?
4. Why is a sense of security in employment a valuable asset?
5. What provisions may be made for the adjustment and arbitration of differences?
6. How may self-interest be turned to advantage in retail store management?

INDEX

- Accounting
 - balance sheet, 83-84
 - classification of expenses, 78-83
 - departmentalization in, 76-78
 - importance of, 74-75
 - inventory, 86-101
 - kinds of accounts, 75-76
- Accounts receivable, purchase of, 26-27
- Advertising
 - attractive lines carried for purposes of, 70
 - for employees, 153-56
 - for positions, 156
 - manager, 50-51
 - relation of, to display, 50-51
 - relation of, to goodwill, 32
- Altman, Benjamin, 3
- Analysis
 - of a business, 23-24, 36
 - of positions, 148-53
 - of qualifications, 149-53
- Annual inventories, 86
- Application blank for prospective employees, 155, 157-60
- Apprenticeship, 2, 178-80, 180-81
- Appropriations for buying, 48-50
- Approval sales, 142
- Arbitration, 235-37
- Associations
 - mutual benefit, 221
 - of retailers, 4-5
- Auditor, 46, 115-16
- Authorization of credit sales, 118-19
- Awnings, 14
- Balance sheet, 83-84
- Banking department, 39
 - for employees, 221
- Bargains, 128-30
- Base of percentage, 83, 99-100, 131-32
- Bill of sale, 28
- Blunder slip, 197-99
- Boards of arbitration, 235-37
- Bonus, 169-72
- Books on retailing, 5, 180, 193
- Bulletin boards, 195
- Bureau of Business Research, 80
- Business literature, 4-5, 59-60, 156, 180, 192-93
- Buyers
 - assist in advertising, 50
 - education of, 58-60
 - limited in expenditure by report of sales, 48-49, 100-105
 - necessary qualities of, 56-58
 - supervise inventory-taking, 87
- Buying
 - control of, by reports of sales, 48-49, 100-105
 - excessive, 68-69
 - expenses of, 78
 - influence of local demands on, 61-62
 - influence of magazine and picture shows on, 60-61
 - lines of, 70-71
 - novelties, 62-64, 70
 - obtaining credit, 74
 - of job lots, 71-72
 - receiving and testing goods, 120-26
 - speculative, 68-69
 - system in, 72-73, 102-8
- Buying a business, 21-36
- Buying power of possible customers, 9-10, 64-67, 117
- By-laws of mutual benefit associations, 227-30
- Capital invested in retailing, 2
- Care of the store, 38, 51
- Cases, opening, 120-21
- Cashier, 46, 113-15
- Cash only, 143
- Charting organization, 40-44
- Checking stock received with invoices, 121
- Classification of expenses, 78-83
- Cleanliness of the store, 212
- Commissions, 167-69
- Committee system, 55
- Comparison head, 49-50
- Competition, 22-23
 - influence of, on approval sales, 142
 - influence of, on prices, 130-31
 - the comparison head, 49-50
- Complaints, handling of, 144-45
- Conditions in store, 206-20, 235
- Conferences, departmental, 200-201
- Contingent group, 154
- Control of merchandise by statistics, 48-50, 100-105
- Corner, advantage of, 8
- Correspondence chief, 46
- Correspondence schools, 192-94
- Costs. *See* Expenses; Prices; Valuation.
- Credit
 - extra charge for, 142
 - giving, 116-19, 142-43
 - obtaining, 74
 - v. cash, 143
- Credit manager, 46, 116
- Credits, buying, 26-27
- Customers
 - attracting a particular class of, 143
 - buying powers of, 9-11, 64-67, 117
 - complaints of, 144-45

- goodwill of, 29-35
- granting credit to, 116-19
- illwill of, 35
- influenced by magazines and picture shows, 60-61
- local demands of, 61-62
- policies in dealing with, 138-45
- probable number of, 8-16
- Customs of the people, 10-11, 61-62
 - as to prices, 128-29
- Daily report
 - on sales, 102-3, 114, 116
 - on stock, 93-95
- Delivery
 - advisability of free, 142
 - expenses of, 79
 - extra charge for, 141
- Demand
 - for a proposed store, 22-23
 - for skilled retailers, 5-6
- Democracy in the store, 232-37
- Departmental conferences, 200-201
- Departmentalization in accounts, 76-78, 88
- Depreciation, 91
- Development of retailing science, 1-7
- Discharging employees, 233-34
- Display
 - as a test, 64
 - manager, 50-51
 - relation of, to advertising, 50-51
- Division of labor, 38-48
- Dressing rooms, 214-15
- Drinking water, 212-14
- Economic welfare work, 220-22
- Education
 - for buyers, 58-60
 - for employees, 147-48
 - for retailers, 2-7, 52, 54
 - for salespeople, 178-202
- Efficiency
 - manager, 54
 - records, 199-200
- Employees
 - analysis of qualifications of, 149-53
 - democracy among, 232-37
 - finding good, 147-63
 - personal interests of, 117-48, 237
 - physical examinations for, 160-63, 223-24
 - profit sharing among, 173-76
 - sources of applicants, 153-56
 - superintendent of, 148, 199, 204, 233
 - welfare of, 204-30
 - See also* Salespeople.
- Employment department, 51-52, 148, 159, 166
- Engel's law, 65-67
- Environment, 14-16
- Equipment, 79-80. *See also* Fixtures.
- Examinations, physical, 160-63, 223-24
- Excessive buying, 68-69
- Exchanges, 138-39
- Expense manager, 53
- Expenses
 - classification of, 78-83
 - departmental distribution of, 77-78
- pay roll, 164
- percentage, base of, 83
- reducing, 130-31
- Experience
 - as a means of education, 180
 - in employees, 155
- Failures, 3
 - bad effect of, on a location, 23-24
 - generally due to bad accounting, 75
- Field, Marshall, 3, 30
- Fire, prevention of, 218-20
- Fixed prices, 140
- Fixtures, purchasing of, 25, 51
- Floor manager, 45, 115, 117, 119
- Flying squadron, 154
- Functions of retail store, 38-39
- General manager, 44, 47-48, 116
- Goodwill
 - nature of, 29-34
 - purchase of, 29-35
 - valuation of, 34-35
- Group of stores, 15
- Group organization, 54-55
- Habit, influence of, 16, 24, 128-30, 136
- Health of employees, 223-25. *See also* Employees; Welfare work.
- Heating, 210-12
- Hire-and-fire systems, 156, 223, 233-34
- Hospital, 225
- House organs, 196
- Human nature, knowledge of, 185-89
- Humidity, 210-11
- Illwill, 35, 144-45
- Importance of retailing, 1-3
- Incomes of possible purchasers, 9-10, 64-67, 117
- Individual stock record, 93-97
- Industries, local, 11
- Injuries, prevention of, 217-18
- Inspection
 - of goods received, 121-26
 - of sales, 113-14
- Inventories
 - annual and semi-annual, 86
 - how to figure cost, 91-92
 - information to be gathered, 87-91
 - in purchasing a store, 25-26
 - methods of taking, 86-87
 - perpetual, 92-100
 - sheets, 89-90
- Invoices
 - for goods purchased, 106-8, 121
- Job lots, 71-72
- Knowledge
 - necessary for salespeople, 183-89
 - required in retailing, 3-4
 - See also* Education.
- Leases, 24-25
- Legal adviser, 53
- Life insurance for employees, 221
- Lighting, 207-8

- Literature, business, 4-5, 59-60, 156, 180, 192-93
- Local demands, 61-62
- Local industries, 11
- Location, 8-19, 22-23
 - history of a, 23-24
 - relation of, to goodwill, 33
 - table of factors in, 18
- Lunch room, 215-16
- Mailing list, 52-53
- Markdown, in inventory, 98
- Markets, knowledge of, 58
- Markup
 - average net, 97-100
 - in pricing, 131-34
- Married women on the sales force, 154-55
- Merchandise. *See* Stock.
- Merchandise managers, 48-50, 100, 106-7, 116
- Merchandise plan, 100-102
- Moving picture theatres, 15, 60-61
- Mutual benefit associations, 221, 227-30
- Name, influence of, 30-32
- Novelties, 62-64, 70
- Number of retailers, 1
- Nurses, 163, 225
- Office manager, 52-53
- Opening cases, 120-21
- Order blanks for buyers, 72, 105-6
- Organization of a store, 38-55
 - charting of, 40-44
 - example of, 44-46
 - practical considerations in, 46-47
 - purpose of, 39-40
- Over-organization, 40
- Ownership tests, 27
- Padded floors, 217
- Passers-by, 8-9
- Pay. *See* Remuneration.
- Pensions, 221
- Percentage
 - base, 83, 99-100, 131-32
 - in pricing, 131-34
 - of pay roll to sales, 164-66
- Perpetual inventory, 92-100
- Personal instruction, 180-82
- Personality, influence of, 30-31
- Personal relation to employees, 222
- Physical examinations, 160-63, 223-24
- Polices, 138-45
- Prevention
 - of fire, 218-20
 - of injuries, 217 18
- Prices
 - as a percentage base, 83
 - at different levels, 141
 - bargain, 128-30
 - classification by, 70
 - customary, 128-30, 136
 - fixed, 140
 - fixing, 127-36
 - inventories, 87-101
 - unusual, 128-30
- Profit. *See* Balance sheet; Markup; Prices.
- Profit sharing, 173-76
- Prospects
 - for retailing, 5-6
 - of a given city, 23
- Psychology of salesmanship, 185-89
- Publicity manager, 50-51
- Purchasing. *See* Buying.
- Qualifications
 - for retailing, 21-22
 - of buyers, 56-58
 - of employees, 149-53*see also* Employees.
- Quota and bonus system, 169-72
- Rating salespeople, 201-2
- Real estate transactions, 24-25
- Reason for selling, 24
- Receiving department, 120-26
- Records, 52-53
 - individual stock, 93-97
 - of employees, 160, 199-200
 - of purchases, 106-8
 - of sales, 48, 93-97, 100-105, 109-16
 - of wants, 63
- Religious principles, 10-11
- Remuneration
 - of retailers, 5-6
 - of salespeople, 164-76, 222, 235
- Rentals, 16-19
- Reports
 - and records of sales, 48, 93-97, 100-105, 109-16
 - cashiers', 114
 - daily on stock, 93-95
 - for buyers, 102-5
- Requirements for success, 3-4
- Rest rooms, 216
- Retailing
 - accounting, 74-84
 - buying, 48-49, 56-73, 100-108
 - buying a business, 21-36
 - education of salespeople, 178-202
 - finding good employees, 147-63
 - fitness for, 21-22
 - fixing prices, 127-36
 - importance of, 1-3
 - inventories, 86-101
 - knowledge required in, 3-4. *See also* Education.
- Literature on, 4-5, 59-60, 156, 180, 192-93
 - location, 8-19, 24, 33
 - organization, 38-55
 - polices, 138 55
 - prospects of, 5-6
 - receiving goods, 120 26
 - relation of employer and employee, 147, 222, 237
 - remuneration of salespeople, 164-76, 222, 235
 - sales system, 109-19
 - training for, 2-7, 52, 54, 178-202
 - welfare work, 204-30
- Sales
 - directed by buyer, 49
 - influence of goodwill on, 29-35 144-45
 - influence of location on, 8-16
 - influence of prices on, 135-36
 - of novelties, 62 64
 - on approval, 142
 - on credit, 116-19, 142-43

- policies, 138-45
- psychology of, 185-89
- record and reports of, 48, 93-97, 100-105, 109-16
- relation of remuneration to, 164-76
- slip, 109-18
- system, 109-19
- Sales manager, 49
- Salesmanship, knowledge of, 185-89
- Salespeople
 - education of, 178-202
 - female, 179
 - influence of, 30-31
 - married women, 154-55
 - opinions of, on prices, 127-28
 - personal success of, 147
 - rating of, 201-2
 - relation of price system to, 140
 - remuneration of, 164-76
 - reports of, 113
 - see also* Employees.
- Sanitary objections to approval sales, 142
- Schools
 - in stores, 182-84, 189, 191-92
 - of business, European, 180
 - recruiting from, 154
 - relation of stores to, 189-92
- Science of retailing, development of, 1-7
- Seats, 216-17
- Security of employment, 234
- Selling a store, value of a good accounting system in, 74-75
- Side of street, 13-16
- Slip
 - blunder, 197-99
 - sales, 109-18
- Sources of applicants, 153-56
- Speculative buying, 68-69
- Staples, 70
- Statistics
 - control of merchandise by, 100-101
 - in charge of office manager, 52-53
 - of buying power, 64-67
 - of expenses, 81-82
 - perpetual inventory by, 97-100
 - used by merchandise manager, 48-50, 100-101
- Stock
 - inventories of, 86-101
 - knowledge of, for salespeople, 184-85
 - pricing of, 127-36
 - purchasing of, 25-26, 48-49, 56-73, 102-8
 - receiving, 120-26
 - testing, 121-26
- Store
 - care of, 38, 51
 - demand for, 22-23
 - environment of, 14-16
 - functions of, 38-39
 - in a group, 15
 - lease of, 24-25
 - location of, 8-19, 22-24, 33
 - organization of, 38-55
 - ownership of, 27
 - purchase of, 21-36
 - rental of, 16-19
 - superintendent, 51-52, 206
 - value of, 16-17
 - working conditions in, 206-20, 235
- Street
 - location of, 12-13
 - side of, 13-16
- Success, requirements for, 3-4
- Suggestions from employees, 232-33
- Sunlight, 13-14
- Superintendent, 44-45
 - of employees, 148, 199, 204, 233, 236
 - of store, 51-52, 206
- System
 - buying, 72-73, 102-8
 - employment, 156-57
 - remuneration, 164-76
 - sales, 109-19
- Tests
 - of merchandise, 121-26
 - of ownership, 27
- Time rate, 167-69
- Toilets, 214-15
- Trade papers, 4, 59-60, 156, 193
- Training, 2-7, 52, 54
 - of buyers, 58-60
 - of employees, 147-48
 - of salespeople, 178-202
- Transfers, 115-16
- Transportation included in cost of stock, 91-92
- Treating, evils of, 57-58
- Trips, educational, 194-95
- Turnover
 - a factor in pricing, 135-36
 - definition of, 135
- Unemployment, 222-23
- Unusual prices, 128-30
- Valuation
 - of goodwill, 34-35
 - of stock, 25-26, 86-101
- Value of store and lot, 16-17
- Ventilation, 208-10
- Wages. *See* Remuneration.
- Wanamaker, John, 3, 31
- "Want" record, 63
- Weekly report to buyers, 104
- Welfare work, 52, 54, 204-30
 - economic, 220-22
 - hygienic, 223-25
 - working conditions, 206-20
- Wind, 14
- Working conditions, 206-20, 235
- Young people, securing of, from schools, 154

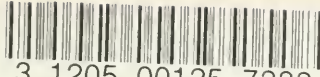
439
193

THE LIBRARY
UNIVERSITY OF CALIFORNIA
Santa Barbara

THIS BOOK IS DUE ON THE LAST DATE
STAMPED BELOW.

2716

DEC 11 '78 1121



3 1205 00125 7383



UC SOUTHERN REGIONAL LIBRARY FACILITY



AA 000 589 046 2

